OVERSIGHT HEARING ON U.S. FOREST SERVICE STRATEGIC PLAN UNDER THE GOVERNMENT PERFORMANCE AND RESULTS ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREST AND FOREST HEALTH

OF THE

COMMITTEE ON RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

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OVERSIGHT HEARING ON U.S. FOREST SERVICE STRATEGIC PLAN UNDER THE GOVERNMENT PERFORMANCE AND RESULTS ACT

THURSDAY, JULY 31, 1997

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON FORESTS AND FOREST HEALTH, COMMITTEE ON RESOURCES, *Washington, DC.*

The Subcommittee met, pursuant to notice, at 10:11 a.m., in room 1324, Longworth House Office Building, Washington, DC, Hon. Helen Chenoweth (chair of the Subcommittee) presiding.

Mrs. CHENOWETH. The Subcommittee on Forests and Forest Health will come to order. The Subcommittee is meeting today to hear testimony on the Forest Service's strategic plan under the Government Performance and Results Act.

Under rule 4[g] of the Committee rules, any oral opening statements at hearings are limited to the Chairman and the Ranking Minority Member, and this will also allow us to hear from our witnesses sooner and help Members keep to their schedules. Therefore, if other Members have statements, they can be included in the record under unanimous consent.

STATEMENT OF HON. HELEN CHENOWETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mrs. CHENOWETH. Today, the Subcommittee will evaluate the Forest Service's draft GPRA strategic plan. This Government Performance and Results Act was passed by Congress with broad bipartisan support, and under this act, all Federal agencies must prepare 5-year strategic plans in consultation with Congress and with input from stakeholders and others who are interested in the plan.

This hearing constitutes one important step in the GPRA consultation process. It is my hope that we will have a meaningful dialog today on both the content and the process that the agency used in developing its May, 1997, draft.

I assure you the Subcommittee would like to work closely with the Forest Service as it completes its plan before the September 30 deadline, and I understand the Forest Service's 1995 draft RPA program is the basis for the GPRA strategic plan. The draft program was the subject of oversight by the Subcommittee on National Parks, Forests, and Lands in the 104th Congress.

At that time, the Subcommittee and I expressed a number of concerns with the goals outlined in the draft RPA program, yet the agency has retained those same goals without even acknowledging our concerns with the RPA draft.

I have a more complete statement which I would like to submit for the record that further explains my concerns with the Forest Service's draft strategic plan. In addition, I would like to submit two letters for the record which explain my concerns with the agency's goals as they are described in the draft RPA program.

I encourage you to read these letters which are attached to my statement in the Members' folders.

Today, we have two witnesses. I have asked Barry Hill and Jim Lyons to answer several questions regarding the Forest Service's strategic plan. Gentlemen, I greatly appreciate your willingness to testify today so that we may gain a better understanding of the Forest Service's strategic plan. I look forward to your testimony and your answers to our questions.

[The prepared statement of Hon. Helen Chenoweth follows:]

STATEMENT OF THE HON. HELEN CHENOWETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Today the Subcommittee will evaluate the Forest Service's portion of the Department of Agriculture's Draft Strategic Plan, which has been prepared to comply with the Government Performance and Results Act. This act was passed by Congress with broad bipartisan support, before being signed by President Clinton in 1993. Under the Results Act, all Federal agencies are required to prepare five-year strategic plans in consultation with Congress and with input from stakeholders and others who are interested in the plan.

I understand the Forest Service plan is now being rewritten to address concerns that have been raised by the Senate Agriculture Committee. Nonetheless, I have asked Barry Hill with the General Accounting Office and Under Secretary of Agriculture Jim Lyons to join us today to inform the Subcommittee about the Forest Service's plan.

This hearing constitutes one important step in the consultation process required by the Results Act. While the deadline for completion of the final plan is fast approaching, it is my hope that we will have a meaningful dialog today on both the content and the process that the agency used in developing its May 1997 draft. I assure you that the Subcommittee would like to work more closely with the agency as it completes its plan before the statutory September 30 deadline.

During the 104th Congress, the Subcommittee on National Parks, Forests and Lands held an oversight hearing on the Forest Service's draft 1995 RPA Program. The Forest Service tells us that the RPA Program, which is a long-range strategic plan prepared under the Renewable Resources Planning Act of 1974, was used as the basis for the current draft GPRA strategic plan.

However, in January 1996 the Chairmen of the House Subcommittee on National Parks, Forests and Lands and the Senate Subcommittee on Forests and Public Land Management wrote the Secretary of Agriculture expressing serious concerns with the goals articulated in the draft 1995 Program. They explained that the draft RPA Program represents an abandonment of the agency's longstanding statutory multiple use and sustained yield principles. I agreed with their assessment that they could not endorse the goals outlined in the draft, nor could they ratify any forthcoming statement of policy based on such a Program.

The Forest Service has yet to issue a new draft or final RPA Program. In May of this year, Chief Dombeck wrote that he is delaying completion of the 1995 program for another 10 months. Instead, the Forest Service is conducting additional analyses related to a number of different issues. Without objection, I would like to submit a copy of both letters for the record.

Given the uncertain nature of the 1995 RPA Program, I am disturbed by the agency's reliance on that draft as the basis for the GPRA strategic plan. Furthermore, it appears that the Forest Service did not consult with us earlier on the GPRA plan because they believe the RPA planning process provided adequate public and Congressional involvement. I disagree with this view, and I hope the Secretary of Agriculture and the Chief will take seriously our desire to work with the Forest Service on the continuing development of the GPRA plan.

Today we have two witnesses. I have asked Barry Hill, Associate Director of GAO, to provide us with a brief summary of the Results Act, including the requirements for developing strategic plans. He will then offer GAO's observations on the Forest Service's draft strategic plan. Specifically, I asked him to explain how well the draft

plan addresses accounting, financial management, decision making and accountability problems identified previously by the General Accounting Office. A number of these issues have been addressed in some detail in GAO's recent report on Forest Service Decisionmaking.

In addition, I have asked Under Secretary Lyons to explain: (1) how well the Forest Service's draft addresses the six components required by the GPRA; (2) whether the mission and goals described in the draft plan are clearly stated and consistent with the agency's statutory authorities; (3) the strategies proposed for achieving the mission and goals; (4) the resources needed to accomplish each goal; and (5) whether the draft plan provides adequate, quantifiable performance measures.

Gentlemen, I greatly appreciate you both for coming before the Subcommittee today so that we may gain a better understanding of the Forest Service's strategic plan. I look forward to your testimony and to your answers to these six questions and any other questions the Members may have for you.

HON. JAMES V. HANSEN,
WASHINGTON, DC,
January 18, 1997.

Mr. Dan Glickman,
Secretary, U.S. Department of Agriculture,
Independence Ave.,
Washington, DC

DEAR SECRETARY GLICKMAN:

Although our Subcommittees have had only a brief opportunity to meet with your staff to discuss the Forest Service's draft 1995 Resources Planning Act (RPA) Program, we would like to offer our own initial comments and concerns with the proposed Program. We expect that additional questions and concerns may come up as a result of yesterday's staff briefing on the draft, and we will encourage Members to submit their additional comments directly to you.

In general, the draft RPA Program represents an abandonment of both the multiple use, sustained yield principles that have guided the Forest Service, and the Agency's commitment to active management of the national forests to maintain and improve the resources that Congress has entrusted to your charge. You should know now that we will neither endorse the goals or program of management contained in the draft, nor ratify any forthcoming statement of policy based on such a Program.

The Executive Summary of the draft 1995 Program indicates that "The 1995 RPA Program reflects a significant change in the way the Forest Service considers and manages natural resources." It also states, "Ecosystem management is the means by which stewards of America's forests and rangelands can reach the goal of sustainable management by the year 2000." Additional information provided in the summary and the draft Program strongly suggests that the change to "ecosystem management," as proposed by the Forest Service, will require Agency managers, planners, and field personnel to abandon the Agency's statutory multiple use goals and long-held sustained yield management practices in favor of new policies which will not meet the requirements of the National Forest Management Act, the Multiple-Use Sustained-Yield Act, and a number of other laws.

We cannot condone this shift in policy. While it is appropriate for the Forest Service to develop practices and policies that better enable the Agency to fulfill its current statutory mandates, it has no authorization to develop entirely new direction for land management. Our reading of the draft Program is that, as a practical matter, it abandons the multiple use and sustained yield philosophy in favor of a custodial management style that will ultimately diminish the ecological integrity of the resources that Congress has entrusted to the Agency.

Equally troubling is the evidence that the Forest Service intends to change its direction for national forest management despite the lengthy and costly efforts that have been made over the past 20 years to implement the RPA and the National Forest Management Act of 1976. In fact, much of the direction described in the draft 1995 Program is in direct conflict with the 123 adopted land management plans that the Agency has developed, approved, and periodically amended with unprecedented public involvement and at unprecedented cost to U.S. citizens.

In addition to the above overall concerns, it appears that the draft 1995 RPA Program will do little to: (1) address the future near- and long-term needs of the Nation for renewable resources despite, for example, the fact that the national forests hold nearly half of the nation's inventory of softwood sawtimber; (2) improve the condition of the national forests, despite declining forest health and increasing risk of cat-

astrophic fire in many areas; or (3) provide new roaded recreation opportunities for the public, even though studies have shown that demand for roaded recreation is increasing at a greater rate than for any other type of recreation on the national forests.

The draft Program clearly indicates in Appendix F that the largest shortages in recreation supply will be in "dispersed recreation sites for day-hiking, wildlife observation, and sightseeing." These are activities that require roaded access. Instead, the draft Program promotes the creation of additional set-asides for unroaded, unmanaged purposes, thereby further reducing opportunities to provide for the responsible production of renewable natural resources, worsening the shortage of roaded recreation opportunities, and preventing management activities needed to improve forest conditions. To take just one renewable resource as an example, we start from a premise that, at a time when the U.S. produces one-fourth of the industrial timber harvested in the world and consumes one-third of the world's production, it is irresponsible for the Forest Service to develop a program that will diminish our capacity to produce our own resource needs with a woefully inadequate justification and without a complete analysis of alternative supply sources.

If the U.S. is going to responsibly achieve the President's goal for sustainable management by the year 2000, and meet the needs of our citizens in 2000 and beyond, we must have a Program for management of our forest and rangeland resources that will promote active and sensitive management, not simply passive and custodial protection, on the lands under the responsibility of the U.S. Forest Service. To meet this goal, consistent with current legal requirements, the final 1995 Program will require substantial changes to address the above concerns.

The 1974 Act requires a specific congressional response to the final RPA Program and Statement of Policy. Specifically, the Act provides the Congress with 90 days in session to either approve, reject, or modify the Statement of Policy. Your current schedule will not afford this Congress such an opportunity, because by the time you issue the final "1995" Program in early October (more than a year and a half overdue), Congress will be close to adjournment. This, more than anything else, troubles us greatly. Therefore, we would like to discuss this problem in the very near future. We will contact you shortly to pursue this further.

Sincerely,

JAMES V. HANSEN,
Chairman,
House Subcommittee on
National Parks, Forests and Lands

LARRY CRAIG,
Chairman, Senate Subcommittee on Forests
and Public Land Management

DEAR SIR/MADAM:

During the past year, we have used your comments and suggestions to develop our strategic plan for the future. I am delaying the completion of this plan. the Forest and Rangeland Renewable Resources Planning Act (RPA) Program, for approximately 10 months to ensure that it fully reflects the most appropriate paths and priorities to take care of the land and to provide its many benefits for the American people. During this period, we will conduct additional analysts related to a number of important issues.

In the brief time since my appointment in January, I have expressed my commitment to "collaborative stewardship" of the Nation's forests and rangelands. Your involvement in the development of the RPA Program is reflective of exactly what I have in mind. I believe our efforts will lead to wider agreement about the priorities of the Forest Service in managing the 191 million acres of the National Forest System, cooperating with State and private forest owners, developing scientific information, and working with other nations.

Planning for the future is a continuous and important task. Thank you for your interest in the future direction of the Forest Service.

Sincerely,

MIKE DOMBECK,
Chief

Mrs. CHENOWETH. Since the Ranking Minority Member is not here, I would like to ask Mr. Barry Hill, the Associate Director of Energy Resources and Science Issues, Resources, Community and

Economic Development Division of the General Accounting Office, to please come forward.

Mr. Lyons, I would like for you to come up also and be on the same panel. We will swear everybody in at once.

Mr. Pandolfi, I understand that you are chief of staff for Mr. Dombeck, right?

Mr. PANDOLFI. Yes.

Mrs. CHENOWETH. Mr. Hill, you have with you?

Mr. HILL. I have with me to my immediate left, Charlie Cotton, and to his left, Charlie Egan, who both have been intimately involved in the work that GAO has done in this area.

Mrs. CHENOWETH. Both you, Mr. Lyons and Mr. Hill, will be relying on these gentlemen for certain answers, right?

Mr. HILL. Yes.

Mrs. CHENOWETH. I wonder if you could all stand so that we can swear you in. Please raise your right hands.

Do you solemnly swear or affirm under the penalty of perjury that the responses given and statements made will be the whole truth and nothing but the truth so help you God?

Let me remind the witnesses that under our Committee rules, they must limit their oral statements to 5 minutes, but that their entire statement will appear in the record. We will also allow the entire panel to testify before questioning the witnesses.

The chairman now recognizes Barry Hill to testify. Mr. Hill.

STATEMENT OF BARRY HILL, ASSOCIATE DIRECTOR, ENERGY, RESOURCES AND SCIENCE ISSUES, RESOURCES, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE, WASHINGTON, DC

Mr. HILL. Thank you, Madame Chairman and Members of the Subcommittee. We are pleased to be here today to discuss the implementation of the Results Act and the Forest Service, and if I may, I would like to submit my formal statement for the record and briefly summarize its contents.

Mrs. CHENOWETH. Thank you.

Mr. HILL. My testimony today is based primarily on two efforts, one dealing with a report we issued earlier this year on the Forest Service decisionmaking process and most recently, our review of the May, 1997, draft plan prepared by the Forest Service under the Results Act.

Let me start by noting that the Results Act is landmark legislation intended to approve Federal program effectiveness and accountability by promoting a new focus on results, service quality, and customer satisfaction.

If implemented successfully within the Forest Service, it should help break an existing cycle of inefficiency and ineffectiveness of decisionmaking by strengthening accountability for performance and results.

To accomplish its objectives, the Results Act establishes a process to set goals and to measure progress. Specifically, the act requires executive departments and agencies to prepare multi-year strategic plans that include long-term strategic goals for all major functions in operations, annual performance plans that contain measures to gauge performance toward meeting both strategic and annual

goals, and annual reports that compare performance against the goals.

To begin the process, the Department of Agriculture submitted a draft strategic plan to the Congress last May. Agriculture's plan includes a department-wide strategic overview as well as 30 component plans including one for the Forest Service.

Our review of the Forest Service's draft plan identified concerns with both the process the agency used to develop the plan as well as its substance. Process concerns included the apparent lack of coordination with other Federal agencies, both within and outside of Agriculture when developing goals and objectives.

In addition, the agency's plan falls short of adequately addressing critical components required by the Results Act, especially in identifying key external factors that could affect achievement of the plan's strategic goals and objectives.

However, the plan's greatest weakness is its failure to articulate the Forest Service's positions on several controversial issues. Specifically, the plan does not address the Forest Service's rationale for emphasizing some more than other legislatively mandated uses of the national forests, the agency's logic underlying its approach to managing natural resources, and the likely effects of its policy choices on the types, levels, and mixes of uses on its lands.

Let me take a moment to explain why it is important that the agency's final plan addresses these issues.

The strategic goals in the Forest Service's plan form the starting point and foundation for holding the agency accountable for its performance. Consequently, these goals are critical to successfully implementing the act within the agency. However, since agreement has not been reached on the strategic goals in the Forest Service's plan, the agency cannot begin to derive the benefits anticipated from implementing the act.

The lack of agreement on the Forest Service's strategic goals reflects the controversy, both inside and outside the agency, over which uses to emphasize under the agency's broad, multiple-use and sustained yield mandate and which management approach can best ensure the long-term sustainability of legislatively mandated uses of the national forests.

The strategic goals in the Forest Service's plan reflect an ongoing shift in emphasis under the agency's broad multiple-use and sustained yield mandate from consumption to conservation, and a significant change in the way the Forest Service considers and manages natural resources from managing primarily along administrative boundaries to managing ecosystems.

The increasing emphasis on conservation and ecosystem management conflicts with the agency's bolder emphasis on producing timber and other commodities, and will likely constrain future uses, such as recreation, on national forests.

The Forest Service has been aware for some time of the controversy surrounding its increasing emphasis on conservation and ecosystem management and the likely effects of these changes in its management of the types, levels, and mixes of legislatively mandated uses on the national forests.

In fact, these issues surfaced, as you mentioned in your opening statement, immediately after the Forest Service conducted a brief-

ing in January 1996 on a draft strategic plan which included the same strategic goals as the agency's May, 1997, plan.

The day after the briefing, as you mentioned, the chairman of this Subcommittee's predecessor and the chairman of the counterpart Senate subcommittee wrote to the Secretary of Agriculture stating, among other things, that the justification for the plan was "woefully inadequate," and the plan represented an abandonment of the agency's multiple-use and sustained yield principles.

Moreover, the chairmen stated that they would not endorse the goals contained in the draft plan and the final plan would require substantial changes to address their concerns.

However, the May, 1997, plan does less than the prior draft to articulate the rationale for the Forest Service's strategic goals and management approach. Furthermore, the May, 1997, plan is silent on the likely effects of the goals and management approach on the legislatively mandated multiple uses on the national forests.

The May plan captures the Forest Service's broad use and sustained yield mandate, stating that the agency's mission is to "achieve quality land management under sustainable multiple-use management concepts to meet the diverse needs of the land and people."

Basically, this mission allows the agency to be all things to all people. However, the reality is that the Forest Service is increasingly unable to avoid, resolve, or mitigate conflicts among competing uses on national forests by separating them among areas and over time.

Consequently, the agency must make hard policy choices concerning which of the competing multiple uses to emphasize and how to resolve conflicts or make choices among these uses on its lands.

The multiple use laws which guide the management of the nation's forests provide little guidance for the Forest Service in resolving conflicts among competing uses. Often, the emphasis that the agency gives to particular uses responds to factors supplementing these acts, such as requirements in planning and environmental laws and their judicial interpretations.

For example, section 7 of the Endangered Species Act represents a congressional design to give greater priority to the protection of endangered and threatened species than to the current primary missions of the Forest Service and other Federal agencies. The strategic goals included in the Forest Service's plan reflect hard policy choices that the agency has made among competing uses. As a result, the goals are controversial.

Had the Forest Service not only made the hard choices but also articulated its rationale for making them and made clear their consequences, it would have better equipped the Congress to understand its decisions and to identify legislative changes that are needed to clarify or modify the Congress' intent and expectations.

We recognize that Agriculture's final plan which will include the Forest Service's plan is not due to the Congress and OMB until the end of September, and that the Results Act anticipates that the final plan will be continually refined as future planning cycles occur.

We also recognize that a strategic plan is dynamic, and that the Forest Service, Agriculture, OMB, and congressional staff are continuing the process to revise the draft.

However, given both the importance of strategic goals to the successful implementation of the act and the disagreement over the goals in the Forest Service's plan, we believe that the agency should have taken the opportunity presented by the act to consult with the Congress to better articulate its positions on these controversial issues.

Specifically, it should have presented clear linkages between its stated goals and objectives and its relevant statutory authorities.

Madame Chairman, this concludes my prepared statement, and may I say that my staff and I look forward to working with you and Members of your Subcommittee as you continue to provide oversight of forests and forest health issues and programs.

We would be more than happy to respond to any questions that you or the members might have.

[Circular Number A–11 may be found at end of hearing.]

[Statement of John A. Koskinen may be found at end of hearing.]

[Government Accounting Office report may be found at end of hearing.]

[Statement of Barry T. Hill may be found at end of hearing.]

Mrs. CHENOWETH. Thank you. I think now the chair will recognize Mr. Lyons for his testimony.

STATEMENT OF JAMES R. LYONS, UNDERSECRETARY, NATURAL RESOURCES AND THE ENVIRONMENT, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. LYONS. Thank you very much. Thank you, Madame Chairman. I appreciate the opportunity to appear before you and the Subcommittee today to discuss our GPRA efforts, and as you noted, I am accompanied by Francis Pandolfi, who is acting special assistant to Chief Dombeck of the Forest Service.

As requested in your letter of invitation, I will attempt to describe what GPRA requires, the Forest Service mission and statutory authorities, our strategic goals, and resources needed to accomplish the GPRA plan.

GPRA requires, of course, that Federal agencies submit a strategic plan to Congress and to the Office of Management and Budget by the end of this fiscal year. The strategic plan for the Forest Service, as for other agencies, will cover the major functions of the agency and contain six items, a mission statement; goals and objectives; a description of how the goals and objectives will be achieved; a description of the relationship between the performance, goals, and the annual performance plan and the goals and the objectives of the strategic plan; identification of key factors external to the agency and beyond its control that could significantly affect achievement of goals and objectives; and a description of program evaluations used in the strategic plan and a schedule for future program evaluations.

The Forest Service mission is to work collaboratively to promote the health of the land and to meet the diverse needs of all Americans. The phrase caring for the land and serving people expresses the spirit of that mission.

Implicit is the agency's collaboration with partners in serving as stewards of the nation's forests and rangelands. The Forest Service provides leadership in the management, protection and use of the nation's forests and rangelands. Its operating philosophy is ecosystem management, where the quality of the environment is maintained and enhanced to meet the current and future needs of all humans.

The agency uses that approach to provide sustained, renewable resources such as water, forage, wildlife, wood, and recreation opportunities.

Statutes that provide the legislative mandate for Forest Service programs fall into one of three major categories. The first is specific authority for Forest Service activities contained in statutes like the Multiple-Use Sustained Yield Act, the National Forest Management Act, the Forest and Rangeland Renewable Resources Research Act, the International Forest Cooperative Act, the 1990 and 1996 Farm Bills.

Second are more broadly applicable environmental requirements such as NEPA and the Clean Water Act and its amendments to the Endangered Species Act, and then the third category of legislative mandates are statutes that allocate national forest system lands to specific management regimes or purposes, such as the Wilderness Act or the Wild and Scenic Rivers Act, which of course Congress played a significant role in effecting.

As requested during congressional consultation, the Forest Service is revising its GPRA strategic plan to integrate the programs and authorities established by these laws and to clearly articulate where they apply.

Under the Forest and Rangeland Renewable Resources Planning Act of 1974, or RPA, we prepare an assessment of renewable resources on all lands every 10 years and a recommended program for Forest Service activities every 5 years. Since 1974, the Forest Service has prepared the RPA program documents in an annual report of its accomplishments which is called the report of the Forest Service. The update in 1993 of the RPA assessment and the draft 1995 recommended program form the core of the agency's GPRA strategic plan.

The 1993 update of the RPA assessment contains projects of resource use over the next several decades and identifies resource situations that are potentially acceptable, deteriorating, or serious and forms an underpinning for the strategic plan that we have developed.

One of the strengths of using the RPA draft program as the basis for our strategic plan was the significant amount of public involvement that was a part of the development of RPA. Two national focus group meetings were held at the beginning of the process. These meetings provided a forum for the early identification of issues.

In 1995 and again, in 1996, the most recent draft RPA program was available for public comment. The Forest Service held six regional listening sessions during the public comment period as well as a series of briefings for Members of Congress and others in Washington, DC. In fact, we received over 1,500 comments on the draft program.

In addition, the Forest Service participated in two oversight hearings, one which you referenced, Madame Chairman.

The public has had access to the latest version of the draft plan through the Internet, and in addition, the Forest Service has consulted with Members of the House Agriculture Committee, of this Committee, and the Interior and Related Agencies Appropriations Subcommittee as well as the relevant committees in the Senate.

The Forest Service has two mission-derived goals and one management goal as a part of our strategic plan. These goals are to ensure sustainable ecosystems, provide multiple benefits for people within the capability of ecosystems, and improve organizational effectiveness through management initiatives. Each of these strategic goals have objectives focused on quantifiable outcomes for a three to 5-year period, and I have a display with me, Madame Chairman, that highlights those specific goals and outcomes. Let me put that up.

It is an ongoing challenge for the Forest Service and land management agencies to develop outcomes which measure the health of the land, and we are actively engaged in efforts to develop those quantifiable measures.

Interagency collaboration is occurring to develop common goals and performance measures. Regional ecosystem assessments that have occurred in the Sierra Nevadas, the Pacific Northwest, and the Columbia River Basin will help to establish baseline data for results. The Natural Resources Performance Measures Forum, which the Forest Service participates in, is another effort underway to try and put together those meaningful measures.

The resource conditions identified in the RPA assessment provided a focus for strategic goals and objectives in the GPRA strategic plan. Although ways of measuring resource needs are still being developed, considerable investments will be needed to ensure sustainable ecosystems and to meet appropriate levels of demand for uses, goods, services, and information.

Financial resources will come from a variety of sources including, of course, appropriations, permanent and trust funds, contributions from partners, fees such as we are collecting now under our recreation fee demo program, and cost savings from new technology and re-engineering of our work processes to reduce redundancy and improve efficiency.

Based on consultation with Congress, the Forest Service is revising its GPRA strategic plan. The final plan will incorporate some changes that Congress has requested, including explicit language linking the laws to the agency's mission; address long-term objectives for the agency's major functions; identification of key tasks and baseline information needed; linkage of strategic goals and objectives to performance goals in the annual performance plan; identification of key factors external to the Forest Service that could have an impact; and last, a description of how program evaluations will be used to refine strategic goals.

Madame Chairman, I would say in summary that we have found the GPRA to be an extremely valuable tool in helping to identify a clear set of goals and objectives to provide us the mechanism to better measure and hold accountable the managers within the Forest Service for achieving those goals and outcomes.

We look forward to working with you and other Members of the Subcommittee as we move forward with the GPRA strategic plan, and we will be happy to answer any questions you may have this morning.

[The prepared statement of James R. Lyons may be found at end of hearing.]

Mrs. CHENOWETH. Thank you, Mr. Lyons. I would like to recognize Mr. Doolittle for opening questions.

Mr. DOOLITTLE. Thank you. In the strategic plan for the USDA, it is stated that there are two goals that are of particular importance to the Forest Service stakeholders. The first is to enhance the economic safety net for farmers and ranchers.

I just wondered why loggers or forest product mill owners and others who depend on the national forest system for their livelihood were not included in that strategic goal. Are they second-class citizens or was that just an unintentional oversight, or what is the story there?

Mr. LYONS. I suppose I should answer that. I certainly would emphasize the fact that we are concerned about the incomes and the economic stability of all those that reside in rural communities, including loggers and mill operators, as well as others who realize their economic wellbeing from the national forests or from forests in general, so I would suggest that you not read into that that we meant to exclude them.

We probably should state it more clearly that that is in fact one of our goals.

Mr. DOOLITTLE. I think that would be good to amend your plan to reflect that.

It is my understanding that we have annually four times the amount of new product grown on forests than we are harvesting, and we know these forests are choking with dead and dying trees. They are also choking with understory and with trees that are in dire need of being thinned.

I just wonder in light of what the harvest plans are, if you could comment, Mr. Lyons, or the gentlemen that are with you, how do you plan on dealing with this?

Mr. LYONS. As you know, Congressman, from our recent visit this past weekend to Tahoe that we face a tremendous challenge. The challenge is to improve forest health and do so in a way that protects other resources and in essence sustains the production of all the goods and services that come from the national forests.

We attempt to achieve that balance through the work that is done on individual forests and developed through specific forest plans involving the effect on communities and the public in making those decisions.

But the challenge nevertheless exists to try and maintain production across a wide spectrum of goods and services, and although forest growth wood supply may be increasing, we are at the same time trying to ensure that as we produce sustainable timber, we are addressing those other resource conditions and needs.

For example, in the Tahoe Basin, water quality would be a consideration which serves as a constraint in some places, but restoring forest health through increased thinning and reintroduction of prescribed fire becomes a goal that we seek to achieve.

I think that is how we attempt to strive to achieve that balance and also capitalize on the opportunities that exist through things like increased wood production.

Mr. DOOLITTLE. As I understood the comments of even Secretary Babbitt up there at Tahoe last weekend, Tahoe is past the point right now of really being able to use prescribed fire until adequate thinning has been done first. Did I understand his comments correctly?

Mr. LYONS. That is correct. In many places, that is true.

Mr. DOOLITTLE. You have such a terrible fuel load buildup that a prescribed fire would pose too great a risk to the surrounding trees and to the lake ultimately.

What is the timetable, in your mind or as you understand it, for dealing with Tahoe? When would that aggressive thinning operation be completed, do you think?

Mr. LYONS. Being completed is a hard question to answer. I can tell you that we are committed within the next 90 days per the President's comments to put together and announce an aggressive strategy, and the additional funds that we committed to in that particular region would allow us to treat 3,000 acres where we are treating now only a few hundred, but that is a large basin.

Mr. DOOLITTLE. I was going to say, what is the total amount of acreage that needs to be treated?

Mr. LYONS. I don't have that figure before me, but I can tell you it is much more than simply 3,000 acres. The challenge there is obtaining the resources to be able to move even more aggressively than we are now.

Mr. DOOLITTLE. I understand that much, if not all, of that thinning will be pretty much done with helicopter logging. Is that your understanding?

Mr. LYONS. I don't know if that is necessarily the case, because a lot of mechanical thinning can be done. It is the function of slopes and soil stability, and that will be determined on the ground.

The economics of harvesting the dead and dying material in there could have a big impact on whether or not helicopter logging is a feasible alternative.

Mr. DOOLITTLE. You brought up that issue. It has been a problem getting the dead and dying timber out, not just in Tahoe but in general, while it still has commercial value. That is something that is of concern to me, because then we hear all our friends over here when it comes time to fund the roads program tell us about how we have below-cost timber sales. To me, it is sort of a self-fulfilling prophecy.

There wouldn't be below-cost timber sales if they could be obtained economically and in a timely fashion, and I wonder if you would care to comment about that.

Mr. LYONS. Well, we have below-cost timber sales. We have quite a few below-cost timber sales, but the truth of the matter is that we have forests that are in a deteriorating condition throughout much of the west, not just in California, but in Montana and Idaho and other places.

I would, and I know Chief Dombeck agrees, characterize our need as a need to make investments in improving forest health, and in some instances, those investments will not pay off imme-

diately in terms of a return to the treasury, but the payoff may be longer term in terms of improved resource condition, improved production, or reduced wildfire risk.

It is much more prudent to spend $1,000,000 improving the health of several thousand acres of forest than it is $1,000,000 a day to fight a wildfire in that same area, and I think that is the way we view the investments that we are attempting to make in improving resource condition.

Mr. DOOLITTLE. Do you have an estimate, Mr. Lyons, for all the forests you have jurisdiction over how much money is needed to accomplish the necessary fuel reduction?

Mr. LYONS. I do not. I would have to provide that information for the record.

Mr. DOOLITTLE. I would appreciate if you would do that, and when you do that, give us, if you can, the money, the people involved, the other resources involved in accomplishing that. I would like to see a time line.

We all just came from Tahoe, I realize, this last weekend, but I don't know how many thousands of acres we are talking about there in Tahoe. I assume it is many times 3,000 acres, and yet it appears to me that it would be very difficult to accomplish just that little area in any short amount of time, and the whole Sierra Nevada range is overcrowded like that, and furthermore, not just the Sierra Nevadas, but really throughout, as you observed, much of the west.

I marvel at what is going to happen as we are annually growing four times as much wood product as we are harvesting, and this keeps compounding year after year after year, how we will ever—if we embarked upon a full scale effort today, a logging effort and ramped up for that, I just don't see how we would ever catch up with it. Am I missing something there? Is it not as dire as that? I just wondered how you perceived this.

Mr. LYONS. I think in some situations, it is urgent that we make investments in the short term. It is a mix of treatments that are necessary, as you pointed out, and lots of fuel treatments are necessary to reduce the amount of material on the ground and then prescribed fire needs to be reintroduced.

In other places, it is stabilizing stream banks and improving watersheds because of pasture impacts.

There is a considerable investment that needs to be made in the natural resources estate, if you will, that we are attempting to quantify. However, given budget constraints and other concerns, we are trying to be prudent where we make those investments.

Tahoe would be a good example. The investments we will make in thinning and fuel treatment there will be focused initially on the rural/urban interface, on those areas near population centers so we can create a buffer, not unlike the concepts that have been promoted by the Quincy Library Group and their strategic fuel zones which is part of the legislation that you all helped to move through the House.

If we had unlimited resources, that would be marvelous, but recognizing that we don't, we have to be prudent about where we make those investments, and we will be strategic, but certainly the needs, not only for thinning and fuel treatment but for investments

in resource stability, even investments in the recreation estate far exceed our resources at the present time, which is why we are looking for new and innovative ways to finance these projects.

Mr. DOOLITTLE. If I may, Madame Chairman, I will quickly ask this last question, but it sort of relates to Mr. Lyons' last comments.

The draft contends that the Forest Service has supported communities through the maintenance of timber harvest levels, and to me, that is just ludicrous on its face representing areas myself where I have seen what has happened in recent years.

As I understand it, and if you disagree with this, please tell me or provide for the record, the Forest Service has not maintained offers for sale or harvest levels at all.

In fact, since 1990, I understand the levels have dropped by 65 percent, and over 300 mills have closed in the northwest. I guess my question in addition to raising those points is, why does the Forest Service continue to cause undue hardship on hundreds of rural communities by only offering 50 percent of what could be sustainably harvested?

Mr. LYONS. I think the key question there is what is sustainable, and unfortunately, prior harvest levels are not sustainable when one takes into consideration our multiple-use mandate and the requirement we have under existing law to sustain the production of all goods and services from the national forest. That is one of the reasons harvest levels have declined in various parts of the country.

One of the issues we faced early on in this Administration was the uncertainty associated with harvest levels, and the Pacific Northwest was the first area where we had to tackle that question. We had injunctions that shut down harvests because of concern about impacts on certain habitats and fish and wildlife species.

We put together a plan that provides certainty, provides a sustainable level of harvest, and we have moved forward aggressively to ensure that we can sustain production at that level and protect those other resources.

That is the balance and the tradeoff we seek to strike in putting together plans, and as we will move forward with new forest plans, of course, we will have to do this all over again in terms of looking at the specific needs for communities.

You recognize, I know, Congressman, because I have been in your part of the country, that community needs are changing as well. Communities are becoming less dependent on one forest product, if you will, timber, and more dependent on multiple products. We see that in communities throughout the west where other needs and other issues are being addressed, whether it is scenic quality that serves as an incentive for a company to come into a community, or it is recreation and tourism as another base to support the economy of a community, and it is that diversity that we need to achieve.

We are no longer focused just on one outcome, timber, in putting communities in a position where they are going to respond to the ups and downs of the markets and demands and international markets and other things we can't affect, but we are trying to respond

to all the needs that communities are identifying, and more and more, it is that diverse mix, and we see it across the landscape.

Our role is basically to ensure that we can help communities realize whatever their goals are economically, and we are not making a predetermined outcome that timber is what every community needs to be involved in.

Mr. DOOLITTLE. I don't want to argue with you about this, but in fact, you are making predetermined outcomes when you force the 65-percent reduction in the harvest levels.

Sure, they are going to turn to tourism and recreation. That doesn't amount to anything compared to the high-paying jobs in manufacturing.

Tourism and recreation is great if that is all you have, but it shouldn't be the mainstay of communities, and Madame Chair, maybe you will bring this out later on in the hearing, but it just seems to me that we are choking with overcrowding of the forests and at the same time, we have had dramatic reductions in the levels of harvests.

I don't see how we would ever catch up if we had a full-scale effort to ramp up again that we have let it get so far ahead of us.

I am trying to understand, Mr. Lyons. You in your own testimony indicate that these are problems, but to me, the solutions being offered don't begin to address the severity of the problem or offer any hope of ever catching up.

Even for as high a priority area as Lake Tahoe which is at high risk for catastrophic fire, which when that happens, that will much more severely impact the lake than the threats presently posed from existing sources, and I just wonder if even Lake Tahoe, we can only talk about addressing 3,000 acres, what are we going to do with the hundreds of millions of acres of national forest lands that aren't getting that level of attention?

Mr. LYONS. I would only reiterate that we are going to do everything we can with the resources we have to identify those priority needs and again, it is a matter of striking a balance in terms of the investments we make.

It is a matter of making prudent use of the dollars we need to treat 3,000 acres in Tahoe while at the same time dealing with erosion from an existing road network, much of which is no longer used, to trying to deal with watershed improvements that are critical, to trying to maintain campgrounds and trails which are critical to the economy of that region.

That is what we attempt to do on a forest-by-forest basis, to strike that balance and make sure we make investments that are going to help protect those resources.

Again, we do not have unlimited resources, so we have to make prudent use of what we have, make the best investments we can to try and protect the integrity of those resources.

Mr. DOOLITTLE. Thank you.

Mrs. CHENOWETH. Thank you, Mr. Doolittle. We will return for another round of questioning, if you desire.

The chair now recognizes Mr. Hill.

Mr. HILL OF MONTANA. Thank you, Madame Chairman. Mr. Lyons, the GAO report was particularly critical of the decision-making process that the Forest Service uses and the decentralized man-

agement structure within the Forest Service, and certainly, I think any person who lives in a State with national forests, just a casual observer would notice that it doesn't seem that you can get decisions made and that you can get them made in a timely fashion and make those decisions stick.

The criticism is that you can't even get together on what your goals ought to be. My observation would be, and I found it astounding that in your strategic plan, you are setting as a benchmark, as a goal, that you will establish a benchmark for the condition of the forest for the year 2001.

Aside from that, tell me what you are going to do to streamline the decisionmaking process within the Forest Service.

Mr. LYONS. Congressman, let me—I am going to ask Francis to address some of the management decisionmaking process improvements that we need to make, and I concur with that part of the GAO report, that we certainly need to improve mechanisms by which we make decisions.

Mr. HILL OF MONTANA. That is not identified, though, as a goal in the strategic plan in any fashion.

Mr. LYONS. Well, I think it is part of our increasing organizational effectiveness, but I want to address the issue you just raised in passing, which was that you said we have difficulty identifying or agreeing our goals and objectives, and we don't even have baseline data.

Truth be told, we don't have adequate baseline data for many of the management activities we undertake in the national forests, and we are scrambling to gather those baseline data so that we have a framework within which we can measure our managers' performance.

In many respects, what we have done is, we have taken the resources we have over time and we have invested them in producing goods and services, primarily timber, and we haven't invested a great deal in the basic data bases we need to ensure that we can understand how what we are doing is changing resource conditions and trends and improving or impacting our ability to meet public demand for those goods and services over time.

That is the reason we have done ecosystem assessments, regional assessments like the Columbia River Basin assessment, so we have those baseline data.

I am sure you would agree if you were managing a business, the first thing you would need to know is the status of the business and the health of the business. You need to know what your demand is, you need to know supplies, you need to know the quality of the goods and services you are producing. You need to understand your customers' impressions of those goods and supplies.

I would agree with you, and that is some of the baseline data we are trying to put together right now. It is ironic that we are doing it now.

Mr. HILL OF MONTANA. But it is 2 years now. We started this process 2 years ago, trying to develop a plan, and frankly, I think that is a fair length of time.

The question I really want you to address is the question about streamlining the process, because even bring a timber sale forward or developing a modification to a management plan on oil and gas

production, I don't care what it is, the time it takes for you to go through the process is—in many instances, we have resources that are deteriorating while you are trying to go through the process.

Mr. LYONS. Let me answer that quickly, and I am going to let Francis get into the details, but having those baseline data will improve our efficiency and time limits, because every time we have to make a decision like that, we have to go out and gather new data, and that is why it is so critical that we have the baseline data to start from.

Let me let Francis talk about the process question that you raised.

Mr. HILL OF MONTANA. Thank you.

Mr. PANDOLFI. Thank you. Congressman Hill, I would address your question about streamlining the process by talking about accountability in the Forest Service and the lack of it.

This is brand new to me. I have been in the private sector for 30 years, and if it ever took me 2 years to accomplish something in the corporations I have run, much less 2 months, probably I wouldn't be here today. I would have another job.

The problem, as I see it, is that we simply don't have good accountability, and that is why projects take so long and people change and then they start all up again, and so on and so forth.

The question is, how are we going to achieve accountability.

Mr. HILL OF MONTANA. In essence, what you are saying is that you are reinventing the wheel every time you are trying to do a project?

Mr. PANDOLFI. Yes, sure. I will give you a perfect example of something I ran into this week where we have been working with a consultant for 4 years to determine what kind of a computer system we ought to have in one of our departments, and it has cost us $800,000 thus far to do this.

I asked the consultant, I said, you know, you can get a full education at Harvard University and have the summers off to boot in this period of time, and still you haven't got an answer for us, and he said, well, the problem is that we have gone through—five people have sat in the director's chair in this department in the period I have been here, and there have been five contracting officers and so on and so forth.

There is always an excuse. There is always a reason why we can't get it done, because who is in charge? The problem is that we tend to work in teams in the Forest Service, and I suppose that is true throughout a lot of the government, and oftentimes, for example, we don't put somebody in charge of the team, so who do you go and ask the question to?

There are a lot of very fundamental things that can be done here to improve accountability. I will just run through two or three quickly for you.

First of all, we define tasks in the Forest Service using a five-page performance description. Now, if it takes five pages to describe the work you are supposed to do, the chances are that at the end of the day, you don't even remember what is on the five pages.

Mr. HILL OF MONTANA. So this organization is task-oriented instead of result-oriented is what you are saying?

Mr. PANDOLFI. Yes, and what, Congressman, we have prepared now, which we are going to start to discuss with our senior managers, within the next couple of weeks, is task descriptions which consist of five or six bullet points.

You should be able to explain what a person does in five or six simple sentences. We are starting with that.

If you do that, then the next thing that happens is you can avoid duplication between people. If you can avoid duplication, then someone is accountable.

Right now, it is not clear who is accountable, because the job descriptions are all overlapping.

Mr. HILL OF MONTANA. Would you say that that is purposeful? I have had some experience within the private sector in trying to bring planning to the public sector, and one of the things I discovered was is that many times the structure of the organization is intended to defuse accountability rather than to focus accountability. In that way, people don't have to feel responsible.

Do you think that that has been part of the focus, the culture of this organization?

Mr. PANDOLFI. I don't think it is any different in the Forest Service than it is any other place in government would be my guess, but the fact is that that is the way it is, and people accept that in government.

I have read performance evaluations of people that I know are not doing a good job, and you would think they walked on water because there is always something in a five-page performance description that you can comment on that they did and probably did OK on.

Mr. HILL OF MONTANA. I would like Mr. Hill to comment on that question and on the Forest Service's response.

Mr. HILL. Well, there were a lot of questions that were raised. Let me try to sort through this.

First of all, accountability certainly is a key problem that the agency has. The report that we issued earlier pointed out that there were some additional major problems that the Service was having that would have to be fixed in order to improve the efficiency and effectiveness of it.

We have talked about the lack of agreement on the missions and priorities. There is also the problem of interagency issues that basically transcend the Forest Service boundaries, Federal land management agencies and the State agencies working together to resolve problems on a broader area.

There is also the problem of right now what seems to be reconciling differences among many different laws and statutes that the Forest Service is subject to.

Let me get back to the——

Mr. HILL OF MONTANA. Are those irreconcilable or is it just that the Forest Service hasn't been able to do it, in your opinion?

Mr. HILL. I would hope that they are reconcilable, but I think they are going to take a lot of work on the Forest Service's part and the other Federal land management agencies, and it may even require some congressional action once they sort through it, but it does need to be sorted through, and I think, hopefully, what I heard today in Mr. Lyons' statement is that that is part of what

they are going to build into their revised plan that should be coming in a few months.

I would like to talk a little bit about the accountability issue, because that is really a key one, and that is the one that you seem to be focusing on. That really is a problem in the Forest Service, and it is a cultural problem in the organization.

There is just a general indifference toward accountability and I like to describe it as there is almost a dangerous formula here.

You have an organization that is highly decentralized and it needs to be highly decentralized. I think each of these forests have to be managed based upon their unique circumstances and needs of each forest.

You also have what recently occurred, an increase in the flexibility to shift funds within the Forest Service when the Congress revised their budgeting process and condensed some of their accounts, giving them greater flexibility in terms of shifting funds within the agency toward different efforts.

You have what we see as a lack of sufficient accountability for expenditures and performance.

When you add all those together, you have accountability problems, and you have waste, and you have situations where the managers out there are not being held accountable for bringing home projects on time, within cost, and in fact are rewarded for not doing so because when they overrun a budget or overspill a timeframe, they go to Congress and basically ask for additional time or authorizations to make a timber sale happen or to make something happen like in the Tahoe situation.

It is basically not a pretty picture, and it is going to be a difficult one to overcome. We are somewhat optimistic that the Results Act really is the latest tool and a really good tool, by the way, for breaking this cycle and instilling a greater degree of accountability within the agency.

Mr. HILL OF MONTANA. Madame Chair, could I just follow along with one additional question?

Mrs. CHENOWETH. Yes, please do.

Mr. HILL OF MONTANA. In order for a strategic plan to be successful, they really have to be bottom-up in my view. In other words, if you are going to build a plan for the whole Forest Service, it ought to be built forest-by-forest.

Did that occur in the development of this plan, in your judgment, or was this a top-down plan?

Mr. HILL. Are you asking that question of me?

Mr. HILL OF MONTANA. Yes, I am.

Mr. HILL. I don't know. Obviously, there was information from both ways. I think Mr. Lyons would be in a better position to really describe how the process worked in terms of pulling the plan together.

Certainly, you need input from the bottom up, but you need direction from the top down. Accountability comes from the top down, so hopefully, they are getting information from both directions, from the bottom up and the top down, and I think that would be the key to a successful plan.

Mr. HILL OF MONTANA. Thank you.

Mrs. CHENOWETH. Mr. Hill, we will return for another round of questioning, if you wish.

The chair recognizes Mr. Peterson.

Mr. PETERSON. Good morning to the panel. Mr. Lyons, in your discussion with Congressman Doolittle, you made a statement that not only the Tahoe area but much of the forest in the west is in serious need of help.

I am from the east, and I am going out to tour the forests in the west so that I become more knowledgeable of the western forests. I have been there a couple times, but not in any kind of a capacity that I was given the information.

Would you explain why you are having such deteriorating health in the forests in so much of the west?

Mr. LYONS. Let me start out by saying that I am from the east, too. I would suggest that one of the reasons is changes in management over time, decisions that were made decades ago that impacted how those western forests were managed.

When we began to exclude fire from many of the forests in the west, a number of changes in the growth and development of those forests occurred.

Mr. PETERSON. When did that happen?

Mr. LYONS. It probably began happening earlier this century. It is a decades-old decision and reflects some of the effectiveness of the Smoky the Bear campaign frankly, which was 50 years old just a couple of years ago.

But fire, of course, was the nemesis of many communities for a while, and if you look back into history, you can see many communities that had to deal with fire, so there was a great fear of fire and a lack of understanding of the role fire played in western forest ecosystems.

As fire was excluded, the species mix changed. For example, in the California region we were just talking about, as opposed to sugar pine and ponderosa pine which tended to dominate the landscape, the landscape that was affected by lesser intensity fire every 15 to 20 years, the exclusion of fire allowed species like white fir and others to in essence invade those sites.

Those are more tolerant species of shade. They grow up, and since they are not, if you will, the dominant species, they were subject to stress, and when drought, insects, and disease came into an area, there was high mortality of the fir.

The end result is that these trees then and the understory in essence create a ladder for fire to run up into the canopy, and when conditions are ripe, the fire occurs and we have catastrophic fire.

Ordinarily, what would have happened is fire would have run through those systems taking that fir out on a periodic basis, and the landscapes would have been dominated by those larger and what I would characterize as dominant tree species.

That hasn't been the case for decades, and we are dealing with that now. In essence, what we are trying to do is reintroduce something akin to those natural processes on the landscape so that management more mimics what would have happened if we had not interceded and excluded fire.

Mr. PETERSON. Is it a fair statement to say that in general most of the western forests have not been overcut?

Mr. LYONS. I would say generally that is probably the case. Now, I would add as a caveat, there are places where we have overcut certain species, and probably accelerated this decline.

That is why, for example, in eastern Washington and Oregon, we are trying to protect ponderosa pine and other dominant species as a seed source to bring that into the system.

But I think as a general rule, that has not been a problem.

Mr. PETERSON. In your goals and objectives, you talk about the goals to ensure sustainable ecosystems and multiple benefits for people and on and on, but that doesn't tell me anything.

I know "ecosystem" is the new word and we are all supposed to use it and reverently, but why don't you talk about what the future on that forest of recreation is, wildlife habitat is, and why don't you talk about your goals in timber, grazing, and mining?

Those are the uses of the forest that are outlined in law. Why don't we talk about the specific things that should be done there and if the communities are going to have a plan for their future, they need to know if you are not going to cut timber. They need to know if you are going to shut down grazing there. They need to know if recreation is going to be curtailed there.

Those are all parts of life in rural America, and so often, you talk so nebulously that your plans don't give us any idea of what is really going to happen there.

Mr. LYONS. I would suggest, Mr. Peterson, that you are right.

At this level, what we have stated as outcomes, maintaining vital communities, sustaining levels of products and services, healthy ecosystems, are rather nebulous terms.

Those then are, if you will, the framework within which we have defined specific goals and some of those are laid out on the chart here, but then down at the specific ground level, we expect our managers within this framework to develop specific measurable outcomes which would define, for example, the quantity of rangeland improvement we expect them to generate, how much improvement in watershed is expected, commodity production goals based on their sustainable management objectives, and all those would be incorporated in the specific forest plans, which as Congressman Hill suggested, would then build from the ground up and help to define what our capacities are and help us understand what our capability is to meet projected demand for all those goods and services, so that specificity would occur, for example, on the Allegheny National Forest where we talk about how much cherry wood is harvested, what our prescriptions and goals are for achieving certain management outcomes.

Mr. PETERSON. I know that as an agency, you are pulled in a lot of directions, and you have an audience that does not agree on how you should be utilized.

In my area, we know that if we don't fight, we don't think you will offer timber for sale because there is a lot of pressure not to do that. Right or wrong, that is a separate argument.

It seems to me as an agency you have been overly sensitive to groups that speak loudly whether they are big or small. You are very timid about standing up for what you do, and I mean that sincerely. You have become a very sensitive agency that is kind of afraid of your own shadow.

If you have a plan and this is what you are going to do and you are following the laws, I think it is your God-given job to speak up for it, but it seems to me that you bend and twist real easily to whatever the current criticism is, and there will always be criticism. You will be criticized from all sides, but that is part of serving in government.

I think you are an agency that needs to get a spine, and I mean that sincerely, and have a plan, that plan publicly debated, and then carry it out, and there will always be people on different sides taking a whack at you, but that is the public policy arena.

Mr. LYONS. Well, it may surprise you to know that I don't disagree with that. I think it is important for us to place a stake in the ground and be clear about what we seek to achieve, and then engage in a broader public debate.

I think as an organization we have suffered in the court of public opinion, in part because of a lack of understanding, and in part, because of mistakes made in the past, and in part, because of court cases that didn't go our way.

It is critically important, and I hope this whole GPRA process will allow us then to define those specific goals and objectives we set as Francis indicated, and I think you can see that Mr. Pandolfi is a breath of fresh air in the organization.

Then we want to hold our managers accountable for those specific outcomes, measure their performance by whether or not they achieve what they have committed to achieve in terms of all the management goals and objectives that are set.

I think this is the only way to get the job done. If not, then we will be, as Mr. Hill suggested, process-oriented. We have lots of process. We have a difficult time getting product out, and by that, I don't just mean timber. I mean all the other things we produce.

You are absolutely right. We are misleading communities, we are offering a promise as opposed to a specific outcome, and that is not the appropriate role for the organization to play.

I am optimistic though that we are going to get there and get there quickly because we have the capacity now to lay out those specific goals and objectives, and hopefully develop measures of outcomes by which we can hold our managers accountable.

Mr. PETERSON. One issue I just wanted to mention was that you highly underestimated is the potential of exotic pests. I know the Allegheny Forest was—one piece of land you didn't want to own during the period of years when the gypsy moth and other insects—we had three or four in a row there that just hammered that region of Pennsylvania, the land you didn't want to own was next to the forest because you almost knew it wasn't going to be sprayed, and you could spray yours to protect your timber, but the blowover of insects from the forest would wipe you right out again.

Those who owned land next to the forest were the ones who really suffered because the forest—again, a public criticism of spraying, did not spray, and now we are having mortality, heavy mortality. Now, we are trying to harvest some of that and we have the same public protests for even cutting down the dead trees.

You are not going to get away from criticism, but there again, it is an area that I thought we were not—the Forest Service was

too sensitive again. I think they knew what to do, but they were afraid to do it.

Thank you for coming before us.

Mrs. CHENOWETH. Thank you, Mr. Peterson. We will return for another round of questioning.

I have some questions. I first want to say that it is very interesting as I sit here and listen and observe and feel the frustration on both sides. My own frustration, of course, has peaked out quite some time ago coming from a State that has many communities that are timber-based.

As I sat here and thought as I pictured the forest, this understory and this problem that we are having now didn't start with the Clinton Administration. It really started back in the 1960's. It really started when we had a Democratic president, not because of him. It just started evolving through Lyndon Johnson, Richard Nixon, Jimmy Carter, Ronald Reagan, George Bush, and now you men have the problem of fixing the critical mass.

There is a lot on your shoulders, and I recognize that, but I know that we have increased funding every year for our Forest Service, and I think that as long as we can keep the goals so that we understand it and they are in sync with the existing law that we can begin to resolve the problem together.

What we need are men to match our mountains. I will tell you, this is not an easy solution, but it must be resolved. I think we all sit here and breathe a sigh of relief, and thank you, Mr. Lyons, and thanks to Mr. Dombeck for bringing somebody like Mr. Pandolfi in that has a focus we haven't seen for a very, very long time in the agency. I know that it is always good to have people in your administrative level who can do that.

I thank you for luring him out of the private sector and into the Forest Service, because the problems are not easy to resolve, and I recognize that. Our concern, my direct questions, my questions that may at times be uncomfortable, are because I want us to come together on the goals, and I think the goals have been clearly laid out in statutory authority, and I blanch and get very irritated when I think of an agency trying to redefine the goals from those that Congress has clearly laid out in the forest and rangeland existing laws, under the national forest system land and resource management plans, under the Forest Resource Planning Act, section 1604, item [m], where it lays out clearly what the Secretary shall establish, and it is pretty clear.

It sets standards to ensure the prior-to-harvest stands of trees throughout the national forest system shall generally have reached the culmination of mean annual incremental growth. That is for harvest, but it also provides that these standards shall not preclude the use of sound, silvicultural practices, such as thinning or other stand improvement measures, and it provides further that the standards shall not preclude the Secretary from salvage or sanitization harvesting of timber stands which are substantially damaged by fire, wind, or other catastrophe or which are in imminent danger from insect or disease attack.

That is so very clear, and I guess I get frustrated because we see through various focus groups and so forth we are moving away from that. Congress hasn't changed that goal, and to have the For-

est Service re-establish goals other than the goals that the Congress has established is a source of frustration, and I think, Mr. Lyons, this is the frustration you are feeling from some of our Members.

I want to ask the GAO some questions. Mr. Pandolfi has given us some indication of the focus that we will be seeing in the Forest Service, but you say that the Forest Service's lack of accountability has caused excessively lengthy and costly decisionmaking.

What exactly is the link here, and are these problems or this lack of accountability something so widespread in the agency that we cannot apply general accounting and business practices and decisionmaking practices to resolve this issue? Generally, how long are we going to have to wait, do you think?

Mr. HILL. I don't have an answer to that question, Madame Chairman, unfortunately. I would like to give Mr. Egan perhaps a chance to respond to this as well.

I talked about this earlier, but I will say that the accountability problem has been a longstanding problem, and it will be a difficult one to resolve because of the culture of the organization.

Interestingly enough, it is a problem that the agency has recognized for many years dating back—it has been recognized by a number of agencies including GAO as early as 1981, and the Forest Service itself studied the issue in the early 1990's with an accountability task force and have studied it numerous times since, and has come up with specific recommendations that they feel could fix it.

One of the concerns we have is their lack of following through on those studies and implementing those recommendations, so I think a good starting point would be to look within their own task force results and see from there what they can pull out and use as a foundation to buildupon.

With that, I would like Mr. Egan to say a few words.

Mrs. CHENOWETH. Thank you.

Mr. EGAN. I would just like to add an example, and it kind of goes on what Congressman Hill was discussing.

One of the problems that they always have when they go to make a decision is a lack of data. The point is, that they have not just had 2 years to fix that problem.

When they were developing their first set of forest plans back in the late 1970's, we came up with a report and testified on the fact that the agency didn't have the information it needed to make informed decisions, and then ten to fifteen years later they go to redo their plans, when they go to prepare the strategic plan, they say, lo and behold, we still don't have the data that we need to make informed decisions.

The efforts that they have undertaken to re-engineer themselves have run into a roadblock because they don't have data on inventory. When they tried to use it in one forest in California, the forest didn't know where its streams were, much less the conditions of the streams, and that is an example to me of why it is so important that the agency take advantage of the new leadership and advantage of the new law and address those problems that have been identified as deficiencies for a decade or longer.

Mrs. CHENOWETH. Thank you. Mr. Pandolfi, did you wish to contribute?

Mr. PANDOLFI. Yes, I would. Thank you, Madame Chairman.

I would like to answer your question specifically, the one that you asked about when you can assume the Forest Service will have better data and greater accountability. It will easily take several years.

This is nothing that we are going to be able to solve overnight. What took 20 years to create cannot be fixed in 20 months, and I would point out an interesting comparison actually of a very effective private sector example of an organization that had to do very much the same things that we have to do, and that is General Electric, where Jack Welch, the CEO, is universally regarded as one of the most effective CEOs in the country, and it took him 10 years to get General Electric where he wanted to get it and to achieve the kinds of things that today make that corporation recognized as one of the most outstanding in our country.

Now, that is not, however, to say that we should all feel depressed about this, because if we make progress, I think we can feel good, but we need to understand the problems and we need to have tough actions to fix them.

I am going to give you just a couple of examples of things that we have to recognize. Decentralization, that I believe Barry Hill mentioned a few minutes ago.

The Forest Service takes enormous price in decentralization—we have managers in the field who can do what has to be done and we can count on them to do it.

Decentralization is just fine when it comes to resource management, providing we have some overall direction and policy. Decentralization is killing the Forest Service when it comes to administration.

We cannot have every forest region measuring trees differently which today is the case. We cannot have every forest region handling its accounts receivable and its accounts payable according to different standards, which is the case today.

We are in the process of installing a new general ledger, a new accounting system that we hope will go into place October 1 of this year that will begin to remedy these problems. You should take some comfort in the fact that things are ongoing now to remedy the problems that the GAO has brought up.

But I would say that the problem in the Forest Service is not a data base that has better information with respect to the size of the trees or a general ledger or a list of tasks as I indicated earlier. The problem in the Forest Service from a management point of view is in my estimation the most interesting and challenging problem any manager could have, and that is to change the culture.

In the Forest Service, the people say we are the Forest Service, we take care of the land, and that is that. That has been the way it has been for many, many years, and we have to show people that there is an incentive to pay better attention to how to run the business, and if they pay better attention to how to run the business, we will be far more effective managers.

Our unit costs have gone out of control in region one in Montana—I believe you are in region one also—and the unit costs have

gone out of control which creates enormous inefficiency in how we spend the money that we can barely get our hands on, because for example, doing a timber sale today is far different, I understand, than doing it 10 years ago. There are so many legal challenges now, our employees try to bullet-proof every sale, they work and work and work to create the sale, and by the time they get the decision done, there may be other factors impinging upon the sale that mean we should cancel it anyway.

These are some of the serious problems that have to be overcome. So the question is, what is the incentive? Why should anyone want to change in the Forest Service? After all, we won't have financial statements this fall, and Congress still gave us the money. You still gave us $2,500,000,000 to spend even though we don't have this information.

They see that they can continue to get money even though we don't have the systems and procedures that we need to run the business effectively. The incentive, however, I think is very clear.

I have been on 20 forests since I have come here, and I love to fish and hunt, and I love to ski, and I find the forests enormously beautiful. Very fortunately, and I think you all three know, the young people, the people that we have out there in the forests, they care a great deal. They care an enormous amount about what goes on, and we are darned lucky to have them out there.

Now, what incentivizes then? It is not the stock option plan. What it is is to put more money onto the land to do a better job, to see that the fish are healthier, to see that the riparian area is healthy, and so on, so that if we can provide for them the money to do that by being more efficient, which we can do with better data, we will incentivize them to change in a way that has never been done before.

No one has ever pointed that out, and that is a very powerful incentive.

Mrs. CHENOWETH. Mr. Pandolfi, I used to teach what is it that motivates employees, and it isn't just more money.

Mr. PANDOLFI. No.

Mrs. CHENOWETH. And I know that you know that, too, from your background. It is the ability to know that there isn't a moving target out there as far as the goals. That is why I think it is so important that our goals should focus on the statutory authority, the statutory law.

If we don't have moving goals, then we don't have plans that change as much as they do. Unfortunately, there has been case law that has come down that has interrupted this whole process. I do understand that.

It is incumbent upon us to help straighten that out, but the fact is that we do have moving goals, and these young people out there who love the forest as much as you and I do don't know where to light, and plans are developed and then they are shelved, and nobody can see the footprints in the sand of the results that they invested a whole lot of their life in, trying to bring a plan forth.

I do understand their frustration, but I do see the problem as twofold, a moving goalpost as far as the goals, and the continued interruption of litigation that has caused these goals to move in

large part, plus I think whatever reason they might have, but I do think we need to go back to statutory law.

Mr. Hill, do you have any other questions?

Mr. HILL OF MONTANA. Thank you, Madame Chair. Following up on that very subject, one of the concerns I do have is that the people who are out there on the land may very well have a different vision in mind with regard to what the goals and the performance ought to be than what Congress has instructed.

I think that is part of the dilemma that we are having here, and I think that there is some sense that maybe gridlock is working to one advantage or the other, and I would just caution you about that.

Let me ask you a question, and I know this is going to difficult for you, Mr. Pandolfi, but on a scale of one to ten, ten being a high performance organization and one being a low performance organization, where would you put the U.S. Forest Service?

Mr. PANDOLFI. One.

Mr. HILL OF MONTANA. And where do you think it——

Mr. PANDOLFI. Excuse me. I should clarify that. There is a lot of very effective stuff that goes on out in the field. When you addressed the question to me, I assumed perhaps you were referring to the administrative ends of the business and how we keep our records. One.

I think there are a lot of people in the field that have to get tens, because they do real good work.

Mr. HILL OF MONTANA. Where do you think it will be in the year 2000?

Mr. PANDOLFI. My guess is that we certainly will have made improvements. We will be no GE.

Mr. HILL OF MONTANA. How long will we wait before we have an eight to ten organization?

Mr. PANDOLFI. As I said a minute ago, the fact is that the challenge in the Forest Service is not to put in a better accounting system. The challenge is to get people to think differently, and to get people to think differently, as the chairman has just said, you need to find incentives to motivate them, and the incentive clearly is not a bonus in their wallet.

We have to begin to put some successes together. You build brick by brick. That is why this is so hard. Brick by brick, nail by nail. There is no magic for what has to be done.

In fact, it is exciting that the management tools that are needed here have been in place for years. We have had debits and credits for 250 years. All we have to do is use them correctly.

Mr. HILL OF MONTANA. The fact is that the Forest Service does have the ability to generate resources. They can generate revenue.

Mr. PANDOLFI. Absolutely.

Mr. HILL OF MONTANA. Mr. Lyons, let me ask you the same question. Where would you rate the organization today on a scale of one to ten?

Mr. LYONS. I am not going to comment on our administrative effectiveness, because I think Francis has hammered that home.

I would give us a little better rating in terms of our resource management performance, although I think we are going through a transition. I would give us up around a four or five.

We are certainly not where we want to be.

Mr. HILL OF MONTANA. And where will we be in the year 2000?

Mr. LYONS. Again, I think we will be making some improvement, but that is going to take some time.

I want to comment on Francis' point about culture, because I have been at this now for 4 years, and I have run headlong into the culture on a number of occasions.

It is a fascinating situation. I don't have the business experience that Francis has. I worked on Capitol Hill for 6 years, so I don't know what that qualifies me for, Congressman, but anyway——

Mr. HILL OF MONTANA. Probably not a high performance organization.

Mr. LYONS. Maybe the two of us could sit down and work on it together.

I can assure you that dealing with the Forest Service which has a proud and long history which helps to define its culture and effecting change in that culture is a rather difficult task.

One way is to identify and incentivize the organization, determine what it is that motivates people. Another way, frankly, to effect change is simply through changes in leadership, and we are going through a number of changes and have been over the last year or two merely by virtue of the demographics of the organization where we have a lot of people who are at the senior level of performance and will be moving on.

I suggest that only to note that that affords us an opportunity perhaps to effect some change as well, as new leaders come up who have a different understanding of what needs to be accomplished and more focused on efficiency and business practice, and perhaps more motivated than people who have been there for a long time, who frankly are more concerned about protecting the culture than effecting change in the organization.

All organizations go through change. It is remarkable to me that the Forest Service has been able to resist change for as long as it has.

Mr. HILL OF MONTANA. It is also important that these new leaders make sure their vision of the Forest Service is consistent with Congress', and I have some concern about that.

Obviously, you have a mixed mandate here, and leaders can choose to put emphasis on one mandate over another, and I think it is very, very important that if this is going to be a healthy organization that is going to sustain that health over the long term, it has to make sure that the leaders are compatible, that their vision is compatible with the policymakers, and I think Chairwoman Chenoweth alluded to that in her questioning.

Mr. Hill, I would ask you to make your comment about the performance of the Forest Service.

Mr. HILL. I would agree with Mr. Lyons and Mr. Pandolfi that the Forest Service is on the low end of that scale currently. If you also ask me where they are likely to be in the year 2000——

Mr. HILL OF MONTANA. With this plan. Is this plan that they have presented in draft form, is this going to take them to a high performance organization in your judgment?

Mr. HILL. The plan as currently written will not, and I think it will be a slowly evolving process.

What I was going to say that if you look historically, my projection by the year 2000 is, they are likely still to be on the low end of the scale based on their history of studying problems and making recommendations but not following through and putting things in place and holding their managers accountable.

On the optimistic side, with the Results Act requirements, I think there is a new opportunity here to break that cycle, and with Mr. Lyons' testimony this morning in terms of the changes that he is planning to make to the draft plan I think are all really good, strong steps in the right direction. If those changes are made, I am optimistic that the plan will be much better than is currently laid out.

But the Results Act process is going to be a long-term effort. It is going to take years for all Federal agencies to see really positive results there, and I think that is particularly true of the Forest Service where you have a lot of complex issues and controversies that have to be sifted through, but the important thing is, if we are going to make progress, we have to get off on a good foot, we have to start on a good foundation, and so I think it is important that the changes they make to their draft plan be in accordance with the changes that Mr. Lyons suggested they were going to make.

In terms of making progress and resolving their issues, I think the term that we are using now is that this is where accountability begins. It is time to stop talking about it and use the Results Act and the strategic plan that is going to be finalized at the end of this fiscal year to start the accountability process.

Mr. HILL OF MONTANA. I just want to thank all of the members of the panel for their candidness and their testimony here, and I just want to let all of you know that a healthy Forest Service matters a great deal to me and to the people who are my constituents for obvious reasons.

I have a lot of national forest land. Montanans use the national forest not only to make a living but also extensive to recreate. It is a wonderful resource that we have, and we want to do everything that we can, and I will do everything that I can to work with all of you to achieve that.

I would just further say to you that I would urge you to be very careful, and I am making reference to the forest chief's comments that would tend to put emphasis on one or the other of the many mandates that you have.

If you really want to have an organization that is going to be able to put into place a consistent plan, it will have to be consistent with Congress' mandates, and without an over-emphasis on one or the other of the multiple-use goals.

And if you don't, the next administration that comes in is going to have a different vision, and whoever that is or the next Congress, and that is going to make it difficult to have an organization that is healthy over the long term.

Thank you very much for being here. I appreciate it very much. Thank you, Madame Chairman, for this hearing.

Mrs. CHENOWETH. Thank you, Mr. Hill. I have so many questions, I don't know where to begin, and this may not be quick and easy.

I have just sent my staff out, Mr. Lyons, for a response that we received from the Panhandle Forest in northern Idaho, and as you may know, last November, we suffered a severe ice storm there, and about one-third of the timber broke about 30 feet up, and it is lying on the forest floor.

This is the kind of accountability forest by forest we need to work on, because I had asked last December, asked the forest supervisor to keep me posted as to what his plans were to pick that timber up off the forest floor.

I know that that particular region had to go through a 30-percent cut in employees because there wasn't any more money in the timber trust fund, and yet all we have to do is go out and pick those logs or those broken portions up off the ground, and of course, take care, as you know, of the broken stumps, because they are a wonderful habitat for bugs and all kinds of diseases and problems. They will all die, and they are nearly dead now, and fire could come in there very easily.

I never did hear from the forest supervisor. Finally, I had the Committee staff call the regional supervisor who I have a lot of respect for; we all do in the northwest for all of those regional supervisors that you have placed there. He assured us that we would receive a report and a telephone call. I didn't even ask for the call to come to me. I asked for it to come to my staff, because it is easier to find my staff.

This is the report that we had faxed through. Of all of that downed timber, this is the report that we had faxed through.

So when we ask for accountability, I have reached the end of my rope, so I am going to you with it before going public with it in Idaho. I think accountability to not only me but to you, the chief, and Mr. Pandolfi as he is trying to get information retrieval banks set up in each forest. We also need to know how ongoing projects are progressing.

This is pitiful, and of course, as was just testified to, that has the highest unit of cost of any of the regions, along with one of the regions in Montana.

I would appreciate your personal focus on that. I would like to be able to build up the timber trust fund just from taking care of this salvage.

Do you have any response? I don't want to just lay this on you without response, and if you don't care to respond, that is fine.

Mr. LYONS. Let me apologize for the fact that you didn't get a response as you should have, and I will assure you that you will have a response before the close of business today.

Mrs. CHENOWETH. Thank you, Mr. Lyons. I want the response as I know you do, too, to show progress, and I want us to build up that timber trust account again.

Mr. LYONS. I will talk to your staff to get the specific information that you need.

Mrs. CHENOWETH. Thank you very much. You mentioned that you are legislatively mandated to manage for six renewable natural surface uses which, as we know, are already in the statutes, none of which are ecosystems. I personally believe ecosystem management is a value rather than a tool that we can use to achieve a goal.

Your first strategic goal is to restore and protect ecosystems. It seems that we have moved away from the six renewable natural surface uses into a harder to define goal of ecosystem management, so the basis for your first goal and multiple use or the basis of these six goals and multiple use seem to have been set aside.

Isn't restoring and protecting ecosystems really a management approach or a strategy to achieve a goal rather than a goal in and of itself? How do you feel about that?

Mr. LYONS. Well, I think managing to protect healthy ecosystems is a mechanism to ensure that we meet our legal mandates under the Multiple-Use Sustained Yield Act.

I think it is defined as a goal because we have a great deal of work to do to address issues associated with the health of ecosystems as a mechanism for ensuring that we can sustain production of the multiple benefits which you mentioned, and that work runs the gamut from restoring deteriorated watersheds to dealing with the backlog of road maintenance to ensuring we meet our goals and objectives in terms of protecting and repairing resources to threatened and endangered species and the like.

The two certainly are linked, but the concept of ecosystem management is in my mind a tool we use to ensure that we consider all those pieces in an integrated fashion and understand the relationship between management to achieve one goal and impacts on another.

I think it is important that we highlight that, and one of the reasons that it became one of our goals. We are not only in the business of production, but we are in the business of restoration these days; restoring fire to fire-adapted ecosystems would be a good example, and it is for that reason that we have identified that as one of the goals that we seek to achieve.

I think by focusing on that goal and specific outcomes, we have identified—I should say, focusing on that outcome and specific goals as identified, we can better ensure that we are going to be able to sustain production of wood fiber and recreation and water flows, healthy rangelands and the like. That is really what we are seeking to achieve.

Mrs. CHENOWETH. I am now quoting from the GAO report on Forest Service decisionmaking, page 68, which I have studied very carefully. "Both the Forest Service Chief and Agriculture's Undersecretary for Natural Resources and Environment have testified that the national forest systems management now emphasizes the maintenance of ecosystem health to sustain the production of all goods and services derived from the national forests. According to them, management activities such as timber sales serve as tools for improving the forest health."

Now, I ask you, when did timber stop being a legislatively mandated use and become only a tool to accomplish another use?

Mr. LYONS. Timber, of course, is one of those multi-use products that are identified in statute, and by saying that we intend to use timbering or timber sales policy as a tool is not to imply that timber, wood products aren't in essence one of the items we seek to produce, not by any means.

There are a limited number of tools we have to effect improvements in the landscape, such as improving forest health, and vege-

tative management or timbering is one way in which we seek to achieve that.

That objective has multiple benefits. It gets at our concern for sustaining ecosystems and ecosystem health. It produces wood products which provide employment, and it helps reduce wildfire risk which is also a concern for communities throughout the west.

Timbering is a tool. It is a very important tool, and the reason that I made that comment was to emphasize the fact that that is a mechanism that we need to use to achieve multiple goals so that we didn't simply focus on that as one objective and lose sight of the relationship between what we do in terms of timbering and how it affects water quality or wildlife habitat or other concerns that we have as a part of our multiple-use mission.

Mrs. CHENOWETH. But I believe—and wouldn't you agree—that that really is an example of your emphasizing conservation over the active management of national forests?

Mr. LYONS. That is an interesting comment. I heard Mr. Hill draw a distinction between consumption and conservation, I guess, and as I was taught the concepts of conservation, they embodied wise use of natural resources, so there is a consumption element as well as, if you will, a resource protection element. The two go hand in hand, so I don't understand that distinction, quite honestly.

Conservation is what we are about, and that ensures, if we are in fact good land stewards practicing good conservation, that we can sustain production of the goods and services that we seek to produce.

I must admit, I don't see the distinction.

Mrs. CHENOWETH. Mr. Hill, do you have any comments with regard to the Secretary's comment?

Mr. HILL. I will defer to Mr. Cotton.

Mr. COTTON. What we were laying out in this report what is behind the issue of consumption versus conservation is the fact that they do have a multiple-use mandate to sustain over time six surface uses.

As Mr. Lyons had pointed out earlier today, in some areas of the country in the past, they have indeed emphasized timber production to the detriment of sustaining another one of those uses being fish and wildlife and the habitats that they rely on.

To correct that deficiency and to respond to laws other than their multiple-use mandate in the Endangered Species Act, the diversity provisions of NFMA, the Clean Water Act, the Clean Air Act, what they have done in their new plan, in their draft RPA, is to shift that emphasis within that multiple-use mandate from emphasizing timber production to emphasizing sustaining wildlife and fish, and the approach, and I think you are absolutely right, Madame Chairman, the approach that they have chosen to do that is to recognize the fact that this use is dependent upon ecological boundaries and not administrative boundaries. That is why they are moving toward managing for ecosystems as opposed to managing purely forest or other administrative boundaries.

The point, and in the report, it is explained in more detail the reasoning for or the factors that have led them to make this shift in emphasizing timber to sustaining wildlife and fish and the ap-

proach that they have chosen to do it. In the end, since in many places these uses compete with each other, the agency has had to make a tough decision and said, OK, right now in this area, we are going to stop cutting green timber, and we are going to emphasize more sustaining the habitats of fish and wildlife.

That is where we came from as far as what is behind our observation in that report that there is this shift in emphasis within the multiple-use mandate from consumption to conservation.

Mrs. CHENOWETH. That is very good. The competing uses, I believe, have caused the Forest Service, just under the sheer weight of the pressure, to try to change the culture.

Mr. COTTON. I agree. I think you had a good point early on in the fact that I think what is missing now in the strategic plan and what I heard in the testimony today is the fact that the Forest Service is going to do a better job of explaining the link between their multiple-use mandate and their management approach to managing these resources and uses on the national forests.

If they do that, I think there will be a better understanding that when they have to make these hard choices, they don't to their broad multiple-use mandate, but they look to other laws, and as you pointed out, the judicial interpretations of those laws that tell them what they can or can't do.

I think if they just laid that out and made that link, made that connection between mission and strategic goals and objectives for each of the multiple uses, I think it would go a long way to helping you decide if you need to make legislative changes to make your expectations and desires known.

Mrs. CHENOWETH. Mr. Lyons.

Mr. LYONS. If I could just comment on that, and I don't want to split hairs, but on this issue of conservation policy, I just want to make one point.

I don't think—there tends to be a misperception within the broader public as to what multiple use is. The term multiple use has become code, if you will, for timber production.

You and I have seen that in how people have challenged some of the things we do on the ground, so there tends to be this presumption on the part of some that multiple use means commodity production, and then our other activities are consistent with protecting and preserving natural resources.

I think the truth is that to ensure the sustained yield which is our mandate under the Multiple-Use Sustained Yield Act for all the goods and services that come from the national forests, one has to practice good conservation. One has to consider to ensure water flows, that we are cognizant of the management activities we engage in timber harvesting upstream. To sustain wildlife habitat, we certainly have to be cognizant of how we manage forested landscapes. To protect recreation opportunities, we have to take into account scenic values and the relationship between water flows and timber harvesting.

All those pieces are inextricably linked. Ecosystem management is the way we achieve that. I don't know that I am disagreeing with anything that the gentleman from GAO has said, except that I want to be clear that at least in my mind, to achieve our multiple-use mandate, we do have to take into account the competing

uses, if you will, on the national forests and balance those out over time, and we do so by taking into account what impact a given action will have on a certain part of the landscape on other activities.

It is critically important that we view things in that way. I guess what I am trying to say is that it is not the Endangered Species Act that drives us there, it is not NEPA; it is the Multiple-Use Sustained Yield Act that mandates that we take those values and those concerns into account.

In fact, there was a landmark case sometime ago in Idaho which some forest plans were challenged because we failed to take into account cumulative effects. This was some time ago when I was on the staff of the committee, but I recall that was the first step, if you will, that required us to look across administrative boundaries beyond one national forest to another to consider the impacts that they were having.

That was actually part of the genesis that led us to looking at these larger ecosystems, and I think it is critically important that we do in fact do that so that we understand the linkage between one resource outcome and another, if we are going to achieve those management goals and meet our legal mandate.

Mrs. CHENOWETH. I would like to stay here and have more of a dialog, because this is very interesting, but I do want to move on.

I would have to agree with GAO that you need to spend the time between now and September 30 revising your draft plan to better articulate your rationale for emphasizing some legislatively mandated uses more than others and your ecosystem approach to managing natural resources. I also believe that you need to explain the likely effects of these policy changes on other uses.

Can I count on the Forest Service's final plan to clearly link your goals to relevant statutory authorities?

Mr. LYONS. Hopefully, you can, Madame Chairman.

Mrs. CHENOWETH. Thank you. Can I count on the Forest Service's final plan to separate strategic goals based on legislative mandates from your preferred approach to managing natural resources so that we can have an informed discussion on mission-related priorities without muddying the waters with other issues?

Mr. LYONS. Yes, I believe you can.

Mrs. CHENOWETH. Can I count on the Forest Service's final plan to discuss the likely effects of these policy choices on other uses?

Mr. LYONS. Yes.

Mrs. CHENOWETH. Thank you, Mr. Lyons. I want to thank all of you, Mr. Hill, Mr. Pandolfi, and both of you gentlemen for your contribution.

Mr. Lyons, in our invitation letter to Secretary Glickman, I asked six questions which were not completely answered. They were hardly touched on, and you know how I feel about that.

I would like to ask that you provide a more detailed answer to each of these questions for the record, and I will send these questions to you along with any other questions that I have not asked today, but which mean a lot to me and that may have not been asked, so that you can take more time for a thorough reply.

This record will mean a lot to me, a lot to the Committee, and I am sure a lot to you as you move through this. I do not want to single out one forest or one forest supervisor unduly. I don't think

I did unduly, but it is this kind of response that creates almost—well, it is more than irritating to us, and I appreciate your attention to this matter.

I don't want to just see a ten-page explanation of what we have on a half-page. If we don't get any more information than we did on the half-page, that is what I want to receive, but I want to see progress in that particular area, because of the serious condition of the forest because of that downed timber.

Mr. Pandolfi, I think that your likening the problems in the Forest Service, and I recognize the genesis of the problems. I just think that rather than setting forests on fire, we need to get in there with human energy and some of these sophisticated machines that we have and take care of that understory.

I was in California, and there had been an experimental project with regard to fire, and actually what happened was that the understory now resulted in a condition of it being more in a tinder-like situation and more likely to explode in fire.

I do want to see us look at other alternatives, besides fire alternatives, that I think were wisely put down here in the National Forest Management Act by people with a lot of wisdom who were here long before I was.

I do want to say that your likening this project to what GE had to go through is realistic, but I don't want to see us back down from seeing a 20-percent improvement, marked improvement that we can all understand every single term so that in 10 years, hopefully, we can be at a place where having a decentralized agency, which I think we all agree is better; having a decentralized agency nevertheless can be accountable to the secretaries and to us.

I was on a task force last year, for instance, and it was last term, 2 years ago. I realized that this agency and the whole administration was in shock from the Congress changing leadership and the majority, and we wanted to make a lot of changes quickly. I realize the shock factor. I realize that now, but nevertheless, on our task force hearing tour, we consistently received the answer from forest supervisors that I am not able to give you the allotted board feet of annual cut this year because the question is in the Justice Department for what my response should be. It had not only gone from the forest supervisor, where he should be able to give a very simple fact like that. It went through the secretaries and landed in the Justice Department and we couldn't get an answer.

I feel now that things have eased off and that a lot of that problem is just beginning to take care of itself, but we are seeing a centralization, not even just necessarily in the Forest Service, but a centralization back here in Washington on Forest Service sales and a lot of those problems that we can't move through because there has to be a decision made here in Washington, DC.

I hope, Mr. Secretary, that we can see truly the decentralization, that those men that I have learned to regard with respect can make the decisions out there in their own regions and on their own forests.

I appreciate your time. We have taken a lot of time on this today, and I would appreciate and look forward to your responses to our questions.

Thank you all very much. This has been very interesting. Thank you, and of course, the hearing remains open for any further comments you would like to make for the record, and we will keep it open for your responses.

With that, this hearing is adjourned.

[Whereupon, at 12 p.m., the Subcommittee was adjourned.]

[Additional material submitted for the record follows.]

STATEMENT OF JAMES R. LYONS, UNDERSECRETARY, NATURAL RESOURCES AND ENVIRONMENT, U.S. DEPARTMENT OF AGRICULTURE

Madam Chairman and members of the Subcommittee: I am pleased to appear before the Subcommittee today to discuss the implementation of the Government Performance and Results Act of 1993 (GPRA) in the USDA Forest Service. I am accompanied by Francis Pandolfi, Chief of Staff, Forest Service.

As requested in your letter of invitation, I will describe what GPRA requires, the Forest Service mission and statutory authorities, GPRA strategic goals, and the resources needed to accomplish the GPRA plan.

What GPRA Requires

GPRA requires that Federal agencies submit a strategic plan to Congress and the Office of Management and Budget by September 30, 1997. The strategic plan for the Forest Service, as for other Federal agencies, will cover the major functions of the agency and contain 6 items:

- a mission statement
- goals and objectives
- a description of how the goals and objectives will be achieved
- a description of the relationship between performance goals in the annual performance plan and the goals and objectives in the strategic plan
- identification of key factors, external to the agency and beyond its control, that could significantly affect achievement of goals and objectives
- a description of program evaluations used in the strategic plan, and a schedule for future program evaluations.

The strategic plan spans a minimum 6 year period—the fiscal year it is submitted and at least five fiscal years forward from that fiscal year. A strategic plan is to be revised and updated at least once every 3 years. These plans set the agency's strategic course, its overall programmatic and policy goals, indicate how these goals will be achieved, and are the foundation and framework for implementing all other parts of GPRA.

Mission and Statutory Authorities

The Forest Service mission is to work collaboratively to promote the health of the land and meet the diverse needs of people. The phrase "Caring for the Land and Serving People" expresses the spirit of that mission. Implicit is the agency's collaboration with partners in serving as stewards of the Nation's forests and rangelands. The Forest Service provides leadership in the management, protection, and use of the Nation's forests and rangelands. Its operating philosophy is ecosystem management where the quality of the environment is maintained and enhanced to meet current and future ecological and human needs. The agency uses that approach to provide sustained renewable resources, such as water, forage, wildlife, wood, and recreation.

The Forest Service has a long tradition of land management, scientific research, and technical assistance. From the Organic Act of 1897 to the environmental legislation of the last thirty years, the laws that direct the agency are many. Legislation has mandated new directions for the Forest Service and has created opportunities for public participation in agency decision making. In recent years, changes in the law have reflected increased public interest in the management of National Forests and National Grasslands. These laws have also established the role of the Forest Service in providing technical, financial, and economic assistance to State and private forestland owners and in providing leadership in international forestry issues.

Statutes that provide the legislative mandate for Forest Service programs fall into one of three major categories: 1) specific authority for Forest Service activities (for example, the Multiple-Use Sustained Yield Act, the National Forest Management Act, the Forest and Rangeland Renewable Resources Research Act, the International Forestry Cooperative Act, and the 1990 and 1996 Farm Bills); 2) more broadly applicable environmental requirements (for example, the National Environmental Policy Act, Clean Water Amendments Act, and the Endangered Species Act); and, 3) statutes that allocate National Forest System lands to specific management regimes (for example, the Wilderness Act and the Wild and Scenic Rivers Act). As requested during Congressional consultation, the Forest Service is revising the GPRA strategic plan to integrate the programs and authorities established by these laws.

Under the Forest and Rangeland Renewable Resources Planning Act of 1974 (RPA), we prepare an assessment of renewable resources on all lands every 10 years and a recommended program for Forest Service activities every 5 years. Since 1974, the Forest Service has prepared RPA program documents and an annual report of accomplishments (Report of the Forest Service). The update in 1993 of the RPA as-

sessment and the draft 1995 recommended program form the core of the agency's GPRA strategic plan.

The 1993 update of the RPA Assessment contains projections of resource use over the next several decades and identifies resource situations that are potentially acceptable, deteriorating, or serious. For example, the most recent RPA draft program projects that, by the year 2000, over 75 percent of the contribution of the National Forests to the Gross Domestic Product will come from recreation. The RPA draft also pointed out some potentially deteriorating resource conditions such as ecological integrity, forest health, loss of biological diversity, and the decreasing amount of wetland and riparian acreage.

One of the strengths of using the RPA draft program as the basis for the GPRA strategic plan was the significant amount of public involvement in the development of RPA. Two national focus group meetings were held at the beginning of the process. These meetings provided a forum for the early identification of issues. In 1995 and 1996, the most recent draft RPA program was available for public comment. The Forest Service held six regional listening sessions during the public comment period as well as a series of briefings for members of Congress and others in Washington DC and received over 1,500 comments. In addition, the Forest Service participated in two congressional oversight hearings.

The public has had access to the latest version of the draft plan through the Internet. In addition, the Forest Service has consulted with Members of Congress through briefings with the House Committee on Agriculture, House Committee on Resources, House Interior and Related Agencies Appropriations Subcommittee, the Senate Agriculture Committee, the Senate Committee on Energy and Natural Resources, and with the General Accounting Office.

Goals, Objectives, and Outcomes

Forest Service has two mission-derived goals and one management goal. These goals are to ensure sustainable ecosystems, provide multiple benefits for people within the capabilities of ecosystems, and improve organizational effectiveness through management initiatives. Each of the three strategic goals have objectives focused on quantifiable "outcomes" for a 3-5 year period.

It is an ongoing challenge for the Forest Service, a land management agency, to develop outcomes which measure the health of the land. One of the principal issues is the need to shift the focus from commodity production to ecosystem management. Other difficulties include:

- Qualitative long-term measures of resource conditions and trends are currently lacking.
- The Forest Service needs to improve consistency and reliability of its data.
- Several years are needed to identify measurable changes to natural resource conditions in order to assess "outcomes" from management practices and research.

Interagency collaboration is occurring to develop common goals and performance measures. Regional ecosystem assessments will help to establish baseline data for results. The natural resources performance measures forum—which the Forest Service participates in—is another effort underway.

The Forest Service expects that these efforts will eventually result in performance measures that can be consistently applied by all of the Federal agencies that manage programs to conserve ecosystems and their resources. As a result, the Forest Service GPRA performance measures will evolve over the next several years to more closely measure outcomes from our programs.

Resources Needed

The resource conditions identified in the RPA assessment provided a focus for the strategic goals and objectives in the GPRA strategic plan. Although ways of measuring resource needs are still being developed, considerable investments will be needed to ensure sustainable ecosystems and to meet appropriate levels of demand for uses, goods, services, and information. Financial resources will come from a variety of sources, including appropriated funds, permanent and trust funds, contributions from partners, fees, and cost savings from new technology and re-engineering of work processes. A redirection of funds within the current budget may be needed as well as some changes in how the agency approaches its mission.

Based on consultation with Congress, the Forest Service is revising its GPRA strategic plan. The final plan will incorporate some changes that Congress had requested, including explicit language linking the laws to the agency's mission, address long-term objectives for the agency's major functions, identification of key tasks and baseline information needed, linkage of strategic goals and objectives to performance goals in the annual performance plan, identification of key factors ex-

ternal to the Forest Service that could have an impact, and last, a description of how program evaluations will be used to refine strategic goals.

As the agency formulates its fiscal year 1999 budget request, Chief Dombeck is involved in his first opportunity to establish his priorities and evaluate trade-offs. The budget process and the development of the agency's operating plan for fiscal year 1999 is expected to provide further insights to the agency's strategic goals and objectives and additional refinement of both performance measures and the linkages between the operating and strategic plans. Because of this, the Forest Service expects to further refine its strategic plan during the fiscal year 1999 budget process and will issue a new draft for additional Congressional consultation early next year.

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

THE DIRECTOR

May 23, 1997

Circular No. A-11
Revised
Transmittal Memorandum No. 69

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Preparation and Submission of Strategic Plans and Annual Performance Plans

To assist agencies in meeting the requirements of the Government Performance and Results Act of 1993 (GPRA), OMB has provided guidance on development of agency strategic plans in Part 2 of OMB Circular No. A-11 since 1995. With this transmittal, Part 2 is being expanded to cover GPRA requirements related to the preparation and submission of annual performance plans to OMB.

The revised Part 2 includes an overview of GPRA requirements and definitions, along with instructions on strategic plans and annual performance plans. The strategic plan guidance is substantively unchanged from that issued previously, although the sections are renumbered.

This annual performance plan guidance, like the strategic plan guidance, is the product of a joint OMB-agency collaboration. The effort of representatives from many agencies in drafting and reviewing these instructions is appreciated.

Franklin D. Raines
Director

Attachment

CIRCULAR NO. A–11
PART 2

PREPARATION AND SUBMISSION OF STRATEGIC PLANS AND ANNUAL PERFORMANCE PLANS

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

MAY 1997

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INTERNET ADDRESS

An electronic version of this circular is available on the Internet. The URL address for OMB circulars is:

http://www.whitehouse.gov/WH/EOP/OMB/html/circular.html

Overview of Strategic Plans and Annual Performance Plans

Summary of Requirements	
Advance copy of strategic plan to OMB	by August 15, 1997
Strategic Plan to Congress	by September 30, 1997
Annual Performance Plan (for FY 1999)—Initial plan to OMB	in September 1997
Annual Performance Plan (for FY 1999)—Revised plan to Congress	in February 1998
Annual Program Performance Report (for FY 1999) to President and Congress	by March 31, 2000

200.1. Overview.

The agency strategic plans required by the Government Performance and Results Act (GPRA) provide the framework for implementing all other parts of this Act, and are a key part of the effort to improve performance of government programs and operations. The initial strategic plans are required by September 30, 1997.

Complementing the strategic plans are annual performance plans that set annual goals with measurable target levels of performance, and annual program performance reports that compare actual performance to the annual goals. Together, these are the basis for the Federal Government to 'manage for results.'

The schedule for strategic plans and annual plans and program performance reports for fiscal year 1999 is shown in the table above.

GPRA requires that a government-wide performance plan be prepared annually by OMB as a part of the President's budget. The government-wide plan is based on the agency performance plans. The first government-wide plan will be issued with the FY 1999 Budget.

Agencies may receive waivers of certain, non-statutory administrative-type requirements established by other agencies. These waivers are intended to provide greater managerial flexibility in exchange for greater accountability for achieving performance goals. Requests for waivers are received and reviewed in conjunction with the annual performance plan.

200.2. Definitions.

The following definitions apply to strategic plans and annual performance plans.

General goal:	A general goal is an elaboration of the mission statement, developing with greater specificity how an agency will carry out its mission. The goal may be of a programmatic, policy, or managemental nature, and is expressed in a manner which allows a future assessment to be made of whether the goal was or is being achieved.
General objective:	A general objective is often synonymous with a general goal. In a strategic plan, an objective(s) may complement a general goal whose achievement cannot be directly measured. The assessment is made on the objective rather than the general goal. Objectives may also be characterized as being particularly focused on the conduct of basic agency functions and operations (e.g., computer capacity, staff training and skills) that support the conduct of programs and activities.
Outcome goal:	A description of the intended result, effect, or consequence that will occur from carrying out a program or activity.
Output goal:	A description of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort.
Performance goal:	A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.
Performance indicator:	A particular value or characteristic used to measure output or outcome.
Program activity:	A specific activity or project as listed in the program and financing schedules of the annual budget of the United States Government. (See also section 220.9 on program activity.)
Program evaluation:	An assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.

200.3. Applicability.

For the purposes of Part 2 of this Circular, "agency" means cabinet departments and other establishments of the Federal Government, including independent agencies, and Government corporations. A government corporation is a corporation owned or controlled by the Federal Government. The Legislative Branch and the Judiciary are not subject to these GPRA requirements.

Except as noted below, agencies are required to submit strategic plans and annual performance plans to OMB and Congress in accordance with these instructions. The Central Intelligence Agency, the Panama Canal Commission, and the Postal Rate Commission are not subject to these statutory requirements for strategic plans or annual performance plans. These instructions also do not apply to the Postal Service; preparation and submission of the Postal Service's strategic plan and performance plan are covered by Section 7 of GPRA.

OMB may modify requirements for a strategic plan, annual performance plan, and a program performance report for independent agencies with $20 million or less in annual outlays. GPRA does not authorize any exemption for a component of an agency, such as a bureau, office, or military department.

Preparation and Submission of Strategic Plans

210.1. Introduction.

This section provides instructions for preparing strategic plans and outlines the relationship between strategic plans and annual performance plans.

A strategic plan can be used to align agency organization and budget structure with missions and objectives. In matching programs and activities to the agency mission and objectives, the strategic plan can also be a means for re-aligning and re-engineering functions and operations. Preparation of a plan also provides an opportunity to consider programs and activities that can be terminated, reduced in scope, or transferred elsewhere.

Strategic plans should guide the formulation and execution of the budget. These plans are a tool for agencies in setting priorities and allocating resources consistent with these priorities. Although a strategic plan is not a budget request, the projected levels of goal achievement should be commensurate with anticipated resource levels.

The basic requirements for strategic plans are set forth in Section 3 of GPRA (see Exhibit 210A).

210.2. Timing of plan submissions.

(a) Submission of an initial strategic plan.—Under GPRA, agencies are required to submit strategic plans to OMB and Congress not later than September 30, 1997. (See 210.13 on consultation requirements, and 210.15 on preparation of the transmittal letter.)

(b) Submission of updated and revised plans.—An updated and revised strategic plan is required at least once every three years. This three-year cycle has the effect of updating an existing plan for its remaining years, as well as chronologically extending it by three or more years. The revision incorporates policy, programmatic, or other changes to any element of the agency's current plan, including the general goals and objectives. GPRA sets no calendar date for these submissions. (Subsequent guidance will cover the preparation and submission of updated and revised strategic plans.)

(c) Interim revisions.—Significant changes to a strategic plan should be made through a revision of the strategic plan, even if this accelerates the required three-year update/revision cycle. In these cases, consultation requirements will apply (see section 210.13).

Minor adjustments to a strategic plan can be made in advance of the 3-year revision cycle by including these interim revisions in the annual performance plan. These changes should be presented as an easily referenced section of the annual performance plan. These revisions include minor changes to the general goals or objectives, the approaches used to achieve the goals, the key external factors, or the program evaluations schedule. The revisions may reflect changed circumstances and evaluations of program performance. Consultation with Congress or potentially interested or affected parties is not required for interim revisions included in annual plans.

(d) Advance copies of submissions.—Consistent with current policy and practice regarding interagency clearance of certain material being sent to Congress, agencies are to provide OMB with an advance copy of their strategic plan at least 45 days prior to the September 30, 1997 deadline for transmitting the plan to Congress and making it available to the public. (See section 210.13 on early and frequent consultation with OMB.)

210.3. Time period covered by strategic plans.

A strategic plan is to span a minimum six year period: the fiscal year it is submitted, and at least five years following that fiscal year. (For example, a plan submitted in FY 1997 would cover FY 1997 through FY 2002). A plan submitted in the last months of a fiscal year (e.g., August or September) should contain an overview for the entire fiscal year, and not simply cover the remaining months. A plan may be for a period longer than six years, containing, for example, a project completion goal ten years in the future. A strategic plan, while covering a minimum six year period, is current for only three years (see section 210.4 and Exhibit 210B).

210.4. Relationship to submission of annual performance plans.

GPRA requires agencies to prepare annual performance plans, beginning with the performance plan for FY 1999. Instructions for preparing and submitting annual performance plans are set out in section 220 of Part 2; agencies should note the specific linkage between strategic plans and annual performance plans under GPRA. A strategic plan's goals and objectives set the framework for developing annual performance plans. Consequently, GPRA states that an annual performance plan may not be submitted for a fiscal year not covered by a current

strategic plan. (See also section 210.9 on relationship between general goals in a strategic plan and performance goals in an annual performance plan.)

An annual performance plan must be covered by a current strategic plan from when the annual plan is submitted to OMB with the agency's budget request through the transmittal, by early February, of the President's budget to Congress. (Agency performance plans are sent to Congress concurrent with this transmittal.) This strategic plan need not be current during the actual fiscal year for which the performance plan was prepared. A subsequent strategic plan (revised and updated) could be current during the actual fiscal year.

Strategic plans submitted before September 30, 1997, will be current for FY 1999, and cover the submission to OMB and delivery to Congress of an annual performance plan for that year. Exhibit 210B illustrates the fiscal year annual performance plan coverage of strategic plans.

210.5. Strategic plan requirements.

(a) Format of strategic plans.—No specific format is required for strategic plans. An agency should consider the prospective readership of its strategic plan when determining length, style, and understandability. However, brevity and conciseness will likely characterize plans that are useful and widely read. Agencies should expect that strategic plans may be filed, read, and retrieved from Internet and other electronic sites.

Agencies are strongly encouraged to submit a single agency-wide plan. However, an agency with disparate functions may prepare several strategic plans for its major components or programs. The number of separate plans submitted by an agency should be kept to a minimum.

An agency-wide strategic overview is prepared when more than one plan is submitted by an agency. The overview links individual strategic plans by giving an overall statement of the agency's mission and goals. The overview can take the form of: (1) a strategic plan (meeting all GPRA-required requirements) covering any major functions or operations not included a separate plan, along with a summary of those agency-wide goals and objectives embedded in the several plans, or (2) a summary presentation of the overall mission and goals of the agency. In the second case, the separate strategic plans cover all major functions and operations.

An overview must be submitted by September 30, 1997. The overview may be submitted prior to or simultaneously with the submission of a separate strategic plan. An overview is subject to consultation requirements, if appropriate consultation did not occur during development of the several strategic plans.

When an agency prepares numerous, site- or organization-specific strategic plans for component units or sub-programs, these should not be merely packaged together and submitted as a single strategic plan. The ensuing size and detail of such a compilation will reduce the plan's usefulness. Instead, the information from individual strategic plans should be integrated into a single agency-wide strategic plan, or into one of the several strategic plans that the agency chooses to submit in meeting GPRA requirements.

(b) Major functions and operations.—Agencies have discretion to submit strategic plans that cover only major functions or operations; support-type activities and operations can be omitted. Strategic plans prepared for agency internal use only (such as those prepared at a program or component-unique level) may cover a greater range of functions and operations.

(c) Integration.—Because of their scope and importance, strategic plans may be the best basis for developing a comprehensive and integrated approach to performance management. When preparing plans, agencies should reflect and use the products and processes resulting from ongoing or earlier performance-related efforts. These initiatives include performance agreements, customer service standards, the performance measures in annual financial statements, performance partnerships, activities introducing a more precise cumulation and allocation of cost, performance-based contracting, and previous strategic plans. Other processes and products related to the National Performance Review, regulatory reform, and streamlining should, as appropriate, be reflected in a strategic plan.

(d) Elements of strategic plans.—As defined by section 3 of GPRA, a strategic plan should contain the following elements:

—a comprehensive mission statement;

—a description of general goals and objectives and how these will be achieved;

—a description of the relationship between performance goals in the annual performance plan and general goals and objectives in the strategic plan;

—identification of key factors that could affe achievement of the general goals and objectives; and

—a description of program evaluations used, and a schedule for future evaluations.

More detailed guidance on strategic plan elements is provided in sections 210.6–210.12. Requirements for the letter transmitting plans are included in Section 210.15.

210.6. Comprehensive mission statement.

The mission statement should be brief, defining the basic purpose of the agency, with particular focus on its core programs and activities. In addition, the mission statement may include a concise discussion of enabling or authorizing legislation, as well as identification of issues that Congress specifically charged the agency to address.

210.7. General goals and objectives.

(a) Purpose of the goals.—Strategic plans set out the long-term programmatic, policy, and management goals of the agency, outlining planned accomplishments and the schedule for their implementation. The general goals and objectives should elaborate on how the agency is carrying out its mission, and very often will be outcome-type goals. (See section 210.9 for a discussion of the relationship between general goals in strategic plans and performance goals in annual performance plans.)

The general goals and objectives should be sufficiently precise to direct and guide agency staff toward actions that fulfill the mission of the agency. An agency may rely on the actions of others in achieving a general goal or objective (see section 210.8).

General goals and objectives should not go beyond an agency's span of influence. An agency's span of influence may extend beyond its span of control. For example, an agency may directly provide services. The actual delivery of these services is within its span of control. The same agency may fund others to provide similar services. The delivery of these services are within an agency's span of influence (and might be within its span of control as well). However, delivery of these services by all parties has a very small economic impact. An assertion that delivery of these services significantly affected economic growth would go beyond the agency's influence on the overall economy.

(b) Defining the goals and objectives.—General goals and objectives should be stated in a manner that allows a future assessment to be made on whether the goals were or are being achieved. A general goal that is defined quantitatively facilitates such a determination. However, a measurable goal need not be quantitative (e.g., it can be centered on the achievement of a single event, such as landing men on the moon). When general goals and objectives are defined in a way that precludes a direct, future determination of achievement, the performance goals and indicators in the annual performance plan should be used to provide the basis for the assessment. In defining general goals and objectives, agencies should avoid platitudes or rhetoric which is inherently unmeasurable, either directly or through the use of performance goals and indicators.

210.8. Description of how the general goals and objectives will be achieved.

This element describes the means the agency will use to achieve the general goals and objectives. These can include:

—operational processes;

—skills and technologies; and

—human, capital, information, and other resources.

Descriptions of the processes, technologies, and resources should be very brief, with additional detail provided only when the achievement of the goal(s) is predicated on a significant change in resource or technological levels or capacities, or in the mode or functioning of the processes.

Schedules for initiating or completing significant actions, and any underlying assumptions or projections, should be included. Agencies should use reasonable projections of the funding and staff that will be available over the time period covered by the plan.

As appropriate, achievement of goals and objectives may rely on tax expenditures, user fees, other types of collections, regulation, or activities and products of other Federal agencies, States, local governments, or non-governmental entities. The description should also outline the process for communicating goals and objectives throughout the agency, and for assigning accountability to managers and staff for achievement of objectives.

210.9. Relationship between goals in the annual performance plan and a strategic plan.

GPRA requires agencies to prepare annual performance plans, beginning with the performance plan for FY 1999. Performance goals and performance indicators in an annual performance plan should be based on the general goals and objectives in

a strategic plan. To a great extent, the performance goals indicate the progress in that particular year toward achievement of the strategic plan's general goals and objectives. As such, performance goals that represent milestones in achieving the general goals and objectives of a strategic plan may be appropriate. In some cases, general goals in strategic plans and annual goals in performance plans may be identical, especially when outcome goals are to be achieved in a particular year.

The strategic plan should briefly outline:

—the type, nature, and scope of the performance goals to be included in a performance plan,

—the relation between the performance goals and the general goals and objectives, and

—the relevance and use of performance goals in helping determine the achievement of general goals and objectives.

210.10. Key factors affecting achievement of general goals and objectives.

Achievement of general goals and objectives can be influenced by certain conditions prevailing over the time period covered by the plan. These factors may be economic, demographic, social, or environmental, and they may remain stable, change within predicted rates, or vary to an unexpected degree. Goal achievement may also be premised on certain conditions (events) not happening. Achievement of goals can also depend on the action of Congress, other Federal agencies, States, local governments, or other non-Federal entities.

Key factors influence goal achievement directly and significantly, and potentially invalidate the assumptions underlying a goal. Such factors are introduced by external forces or parties, and are not of the agency's own making. The strategic plan should briefly describe each key external factor, indicate its link with a particular goal(s), and describe how achievement of a goal could be affected by the factor. When factors are highly unlikely to occur, or have only tangential influence on the general goals and objectives, they may be omitted from a strategic plan.

210.11. Program evaluations and strategic plans.

Program evaluations that were used in preparing a strategic plan should be briefly described. A schedule for future program evaluations should be included. The schedule should outline the general methodology to be used (e.g., a longitudinal study), timetable, and the general scope of the evaluation, as well as particular issues to be addressed. At a minimum, schedules for future evaluations should cover the fiscal years prior to the next revision of the strategic plan. (For a definition of program evaluations, see section 200.2.)

210.12. Classified appendix.

A classified appendix covers any material specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy. Where appropriate, an agency may include a classified appendix in a strategic plan.

210.13. Consultation.

In developing a strategic plan, an agency must consult with Congress and solicit and consider the views and suggestions of entities—such as customers and other stakeholders—potentially affected by or interested in the plan.

Agencies have discretion in how this consultation is conducted. An agency's existing consultation processes may be used. The development of strategic plans is not subject to the Administrative Procedures Act.

Some general goals and objectives will relate to cross-agency functions, programs, or activities. In such instances, agencies may have a shared responsibility for defining and achieving general goals or objectives in these cross-cutting areas. Agencies should ensure that appropriate and timely consultation occurs with other agencies during development of strategic plans with cross-cutting goals and objectives.

To help ensure that a completed strategic plan conforms with statutory requirements and is consistent with national policy, extensive continuing interaction should occur between OMB and agency staff over the full course of plan preparation.

210.14. Contrary views.

A strategic plan will often reflect hard choices, with a plan's usefulness often corresponding to the difficult policy and programmatic decisions that were made during its development. In many instances, there may be disagreement about particular goals and objectives, or the means by which the goals will be achieved. The transmittal letter should summarize those views received from entities outside the Executive Branch of the Government which disagree, in a substantive and germane way, with the programmatic, policy, or management courses-of-action presented in the plan. The summary should generalize

the degree of disagreement, and the source(s). Contrary views should not be individually attributed or listed.

An agency may wish to concentrate principally on summarizing those contrary views offered as the proposals in the plan became more specific, and less on those generated during its initial, more formative stage.

210.15. Transmittal of plans to Congress and OMB.

Agencies are to prepare a letter from the agency head transmitting each strategic plan. A transmittal letter is also prepared for a strategic overview containing only a summary presentation of overall mission and goals (see section 210.5). A transmittal letter will include:

—a summary of the general scope and nature of the consultation, and the types of entities consulted (see section 210.13);

—a summary of contrary views received (see section 210.14); and

—a description of any significant contribution to the preparation of strategic plans made by non-Federal entities.

Transmittal letters are addressed to the Speaker of the House of Representatives, the President pro tempore of the Senate, and the Director of OMB. Copies will be provided to the chairmen and ranking minority members of the relevant authorization or oversight committees and appropriation subcommittees, and the chairman and ranking minority members of the Senate Committee on Governmental Affairs and the House Government Reform and Oversight Committee. Copies may also be distributed to other members of Congress or committees.

Strategic plans are a matter of public record; the public should be afforded the opportunity to obtain copies of the completed plan. Generally, the public availability of a strategic plan should made when the plan is transmitted to Congress.

Section 3 of the Government Performance and Results Act

SEC.3. STRATEGIC PLANNING

Chapter 3 of title 5, United States Code, is amended by adding after section 305 the following new section;

"§ 306. Strategic plans

"(a) No later than September 30, 1997, the head of each agency shall submit to the Director of the Office of Management and Budget and to the Congress a strategic plan for program activities. Such plan shall contain—

"(1) a comprehensive mission statement covering the major functions and operations of the agency;

"(2) general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the agency;

"(3) a description of how the goals and objectives are to be achieved, including a description of the operational processes, skills and technology, and the human, capital, information, and other resources required to meet those goals and objectives;

"(4) a description of how the performance goals included in the plan required by section 1115(a) of title 31 shall be related to the general goals and objectives in the strategic plan;

"(5) an identification of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives; and

"(6) a description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations.

"(b) The strategic plan shall cover a period of not less than five years forward from the fiscal year in which it is submitted, and shall be updated and revised at least every three years.

"(c) The performance plan required by section 1115 of title 31 shall be consistent with the agency's strategic plan. A performance plan may not be submitted for a fiscal year not covered by a current strategic plan under this section.

"(d) When developing a strategic plan, the agency shall consult with the Congress, and shall solicit and consider the views and suggestions of those entities potentially affected by or interested in such a plan.

"(e) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of strategic plans under this section shall be performed only by Federal employees.

"(f) For purposes of this section, the term "agency" means an Executive agency defined under section 105, but does not include the Central Intelligence Agency, the General Accounting Office, the Panama Canal Commission, the United States Postal Service, and the Postal Rate Commission.".

Various Submission Dates for Strategic Plans and Years Covered

Strategic Plan Submission Date	Minimum Years Covered in Strategic Plan	Strategic Plan is current for annual performance plans for:	Update/Revision Date by:
September 30, 1997	FY 1997–2002	**FY 1999–2001**	**September 29, 2000**
August 30, 1998 (a revised plan)	FY 1998–2003	FY 2000–2002	August 29, 2001

Preparation and Initial Submission of Annual Performance Plans

220.1. Introduction.

OMB is required by the Government Performance and Results Act (GPRA), 31 U.S.C. 1115(a), to have agencies prepare annual performance plans, beginning with the performance plan for FY 1999. (See sections 200.1–200.3 for an overview of requirements, related definitions, and applicability of these requirements.)

The annual performance plan sets out measurable goals that define what will be accomplished during a fiscal year and should reflect a level of accomplishment commensurate with the resources requested and subsequently funded.

For a fiscal year, at least two iterations of an agency's annual performance plan are prepared:

—An *initial plan*, consistent with the agency's budget request to OMB; and

—a *revised plan* that reflects budget, policy, and programmatic decisions, and is consistent with the President's budget. An agency may subsequently prepare a second revised plan to reflect Congressional action on its budget request.

Initial plans are submitted to OMB and used during OMB's review of the agency budget request. Revised plans are sent to Congress soon after transmittal of the President's budget, and made available to the public. The instructions in this section cover the initial plan. Instructions on preparation of revised plans will be issued later as a separate section of Part 2.

220.2. Timing of initial plan submission to OMB and submitting official.

The agency head (or his or her designee) submits, normally in September, the initial annual performance plan to OMB at the same time as the agency's initial budget submission. (See section 10.3 of Part 1 of this Circular for information on the timing of budget submissions.)

220.3. General rules governing development of annual performance plans.

In developing annual performance plans, agencies should be guided by the following general rules:

—a *single plan* covering an entire agency should be prepared, rather than a number of plans covering different agency component or program areas;

—a *current strategic plan* should be in effect for the fiscal year covered by the annual plan;

—the *specific linkage* with the strategic plan should be reflected in the annual plan (e.g., performance goals and indicators in an annual plan should be based on the general goals and objectives in the agency's strategic plan);

—while the *basic elements* of the plan are prescribed by these instructions, within this framework, agencies have flexibility in determining the scope, level of detail, and format of the plan; and

—the initial plan is considered *privileged material* and can not be released outside the Executive branch.

More detailed guidance on these aspects of annual plans is provided in sections 220.4–220.8 and 220.18. (See Exhibit 220 for the GPRA language on annual performance plans.)

220.4. Single annual performance plan.

The annual performance plan should present a comprehensive picture of performance across the agency. A single plan, covering the agency as a whole, allows an agency's performance goals to be reviewed in their totality.

Within the single plan, an agency has flexibility in organizing the plan's content. For example, a plan could be organized into parts, which conform to the structure of its budget request (e.g., by major functions, organizations, or program), or match with the different jurisdictional responsibilities of various congressional committees. A single plan is formed by joining the various parts together.

220.5. Relationship to strategic plans.

A close correspondence should exist between the strategic plan and the annual performance plan. This correspondence allows the more general and long-term focus of the strategic plan to be linked with the more detailed and year-specific content of the annual plan. Several elements of the strategic plan parallel those in the annual plan, and underscore this linkage.

The strategic plan sets forth the general goals and objectives of the agency, and describes the relationship between these goals and objectives and the performance goals and indicators in the annual plan. Often, the performance goals and indicators

will define the progress being made during a fiscal year toward achieving the general goals and objectives in a strategic plan. This progress is incremental if a general goal or objective is not fully achieved until a future year.

The strategic plan describes the means to be used in achieving the general goals and objectives. A similar element in the annual performance plan describes in greater detail the specific processes, technologies, and types of resources that are needed to achieve the performance goals. The annual plan description should also cover other means, such as regulation and tax expenditures, when an agency will be relying on these to achieve specific performance goals. (See section 220.8 on including mission and goal information from the strategic plan in the annual performance plan.)

220.6. Requirement for a current strategic plan.

GPRA requires that a current strategic plan (meeting GPRA requirements) be in effect for the fiscal year being covered by an annual performance plan. An agency strategic plan submitted to Congress by September 30, 1997 would nominally meet this requirement for agency submissions of annual performance plans for fiscal years 1999, 2000, and 2001. As strategic plans are to be revised and updated at least every three years, annual performance plans in subsequent years (after FY 2001) would be covered by revised strategic plans. (See also section 210.4 on current strategic plans.)

220.7. Elements of the annual performance plan.

As defined by GPRA, an annual performance plan includes three primary elements:

—the performance goals and indicators for the fiscal year;

—a description of the operational processes, skills, and technology, and the human, capital, information, or other resources that will be needed to meet the performance goals; and

—a description of the means that will be used to verify and validate measured values.

More detailed guidance on these elements is provided in sections 220.10, 220.12, and 220.13.

An annual plan includes several other elements, as appropriate. These are:

—information on whether the agency was aided by non-Federal parties in preparing its plan;

—a description of any minor adjustments to the agency's strategic plan; and

—requests for waivers of administrative requirements to provide managerial flexibility.

GPRA states that the preparation of an annual performance plan is an inherently governmental function, and drafting of the plan is to be done only by Federal employees. When preparing a plan, agencies may be assisted by non-Federal parties (e.g., consultants, contractors, or States) whose role may include collecting information; conducting studies, analyses, or evaluations; or providing opinions or ideas. Such assistance should supplement, not supplant, the agency's in-house plan preparation effort. The plan should acknowledge and indicate any significant contribution by non-Federal parties in its preparation.

An annual performance plan may be used to identify and describe minor adjustments being made to a strategic plan. The initial annual performance plan sent to OMB should include these minor adjustments. The revised annual plan is used to transmit these adjustments to the Congress. (See section 210.2(c) on making minor adjustments to a strategic plan.)

Instructions on requests for waivers of administrative requirements will be issued later.

220.8. Format.

While there is no specific format required for initial annual performance plans, agencies should ensure that information is presented clearly and concisely, and can be easily adapted for the revised plan, which is sent to Congress and made available to the public. Plans should be informative, useful, and avoid minutiae.

To provide a ready reference for the reader, an agency should include the mission statement (or a summary) from its strategic plan. To show the linkage between the general goals and objectives in the strategic plan and the annual performance goals, the general goals (or a summary) should be displayed, and aligned with the associated annual goals. To assist in OMB's review of the plans and associated budget requests, agencies should indicate those goals and indicators that are being mutually undertaken in support of programs or activities of an interagency, cross-cutting nature.

220.9. Relationship with the budget.

(a) General principles.—The annual performance plan should be directly linked to the agency's budget. The performance goals (i.e., target levels for performance) are set based on the funding expected to be available to achieve those targets. Funding levels reflected in the initial annual plan

must be consistent with the agency's budget request to OMB for the program or activity. In a revised plan, the funding totals are modified, as necessary, to be consistent with the President's Budget. Changes in funding levels in the revised plan may require changes to performance goals and indicators.

The linkage between the annual performance 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 a budget account. The program activity structure is the foundation for defining and presenting performance goals and indicators.

(b) Link between program activities in the Budget and in the annual plan.—Each 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 performance plan are identical to those in the P&F schedules, the plan structure 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 11.6 of Part 1.

(c) Coding of program activities in the program and financing schedules.—In the FY 1998 Budget data base, several agencies voluntarily related GPRA program activities to P&F schedule program activity lines by entering GPRA program activity codes on the stub entries of P&F activity lines. Further information on using coding for the FY 1999 Budget will be included in section 32.2 of the upcoming reissuance of Part 1 of this Circular. A Budget-GPRA coding linkage will allow agencies to relate readily GPRA program activities (and performance goals) to budget resources, and will facilitate preparation of the Government-wide performance plan that will be part of the President's Budget. Performance goals and indicators are not being collected in the FY 1999 budget data base.

(d) Changes in the budget account structure.—Differences between the program activities structure in the Budget and the GPRA program activity presentation in the annual performance plan should diminish over time, to the extent that agencies modify either their current set of budget program activities or accounts, or the GPRA activity structure. Agencies are encouraged to consider changes to the budget account structure that enable agencies to present both budget and performance information in a more thematic or functional way, thereby facilitating the understanding of programs and measures of performance. (See section 11.5 of Part 1 on alignment of budget accounts and establishment of new accounts.)

(e) Associating budgetary resources with the annual plan.—Eventually, the annual performance plan will become an integral part of the agency's budget request. In the meantime, the annual plan should display, generally by GPRA program activity, the funding level being applied to achieve the performance goals and indicators for that activity. This should be straightforward if the annual plan does not alter the program activity structure in the P&F schedules. If a GPRA program activity structure has been developed through consolidation, aggrega-

tion, or disaggregation of program activities in P&F schedules, identifying and aligning funding amounts with the GPRA structure may be more difficult.

Usually, this funding will be stated in terms of obligations. (See generally sections 32.1 and 32.2 in Part 1 for further information on reporting obligations in P&F schedules.) Each agency should consult with its OMB representative on the level of detail to be provided (e.g., whether funding levels should be provided for each program activity or groupings of activities). If an agency wishes to use other budget measures (for example, budget authority or outlays), it should consult, in advance, with its OMB representative. OMB may also request additional information separately, such as a crosswalk between performance goals and the specific budget account(s) funding those goals.

A performance goal may be funded from several budget accounts. When determining funding for a performance goal, salary and expense accounts may present a particularly difficult linkage. Agencies should make their best effort to distribute costs to relevant goals, by attributing overhead and direct salary and expense monies, as well as other resources (e.g., funding grants, contracts, or other activities) to relevant GPRA program activities. Where attribution of costs is not feasible, a free-standing' program activity for overhead costs may be established. Agencies should coordinate closely with their program division at OMB when developing these estimates.

220.10. General guidelines on developing performance goals and indicators.

(a) Principles.—When choosing the performance goals and indicators to be included in an annual plan, agencies should be guided by the following principles. The goals and indicators should:

—be expressed in an objective and quantifiable manner, unless OMB approves otherwise (see section 220.16–200.17);

—inform the President, Congress, and other interested parties of the expected level of achievement for the program or activity;

—be mainly those used by managers as they direct and oversee how a program is carried out. (Measures that inadequately inform managers about program performance will not help managers respond when problems arise);

—be centered on a program or activity's core purpose, and its key attributes and characteristics; and

—cover the 12 month period of the Federal Government's fiscal year (October 1–September 30). (In those cases where an agency operates on a different fiscal year, the annual plan should correspond to the agency's fiscal year.)

Performance goals and indicators usually have a numerical target level or other measurable value. This facilitates the future assessment of whether the goals and indicators were actually achieved. When defining goals, agencies should anticipate their future ability to measure and report actual performance against them. (The comparison between projected and actual performance is the primary focus of the annual program performance report that agencies are required to prepare under GPRA.)

Annual plans should strike a balance between too few and too many measures. Agencies should include enough measures to show, in a substantive way, how well the agency is doing in meeting its goals and objectives. Plans should neither capture the complete array of measures likely to be used in managing programs, nor skimp on what is measured, resulting in a narrowly-drawn or fragmented picture of performance.

(b) Types of program performance goals.—As a general rule, *outcome goals should be included in an annual performance plan, whenever possible.*

In a strategic plan, general goals and objectives are commonly outcome-type goals. However, outcome goals may only be achieved at certain points during the timespan of a strategic plan. An annual plan should include outcome goals when their achievement is scheduled for the fiscal year covered by the performance plan.

When outcome goals with an impact outside an agency (e.g., goals achieving a national incidence rate or standard) are included, the plan should indicate the agency's role in goal achievement. This can be done either in the goal description, or by identifying the means the agency will use to accomplish the goal. Without an association being shown between such outcomes and what an agency is doing to achieve them, agency funding will be difficult to justify.

Most plans will supplement outcome goals with measures of *output*. Measures of output can be the predominant goals and indicators in an annual performance plan for several reasons:

—outcome goals, other than those being accomplished at a continuing, sustained level, may

not be scheduled for achievement in the fiscal year covered by a performance plan;
—an agency is likely to have more output goals than outcome goals, and;
—as the frequency and nature of performance data for outputs allows for periodic assessment and intervention, managers often manage to outputs.

While there are no requirements to include a specific category or type of measures in every plan, agencies are strongly encouraged to include, as appropriate, measures of customer service and program efficiency. Agencies should strive to include goals or indicators for unit cost, even if only approximate costs can be estimated. In time, as operational cost accounting systems become prevalent, agencies will be expected to include selected unit cost measures.

Agencies may use a single or several measures of performance for a program activity, but should be careful in their selection of measures not to depict programs as one-dimensional, or mask program distinctiveness by using the same performance parameter(s) across all programs.

(c) **Goals for internal agency functions and operations.**—In addition to performance goals and indicators related to specific program or organizational units, annual plans may include agency-wide goals and means-type goals.

Agency-wide goals and indicators typically involve the agency workforce or the workplace environment. Examples include employee skills and training, workforce diversity, retention, downsizing, and streamlining. Administrative or program support components, such as procurement, personnel, and information management, may also be included as agency-wide goals. Where procurement is significant to the accomplishment of the mission, the annual plan should include measures of procurement performance.

Means-type goals and indicators describe the means or strategies that an agency will use to achieve its performance goals and indicators. Means or strategies typically cover processes, technologies, or certain types of resources that will be applied to help achieve a program or operational goal. Replacement of computer systems, and redistribution or devolution of workload are examples of means-type goals.

When included, means-type goals should be few in number, key to program accomplishment, and not a substitute for goals and indicators covering core programs and activities. Where possible, means-type goals should be presented with the relevant program or activity. Agencies should note that a significant investment in systems, equipment, or facilities may warrant categorizing the goal as a program goal. (See also section 220.12 (d) on capital investments.)

Agencies have discretion regarding placement of agency-wide and means-type goals and indicators within the annual plan. An annual performance plan should not include any goals for inputs (budget resources, number of FTEs, etc); agencies are required to provide information on inputs in the section of the annual plan section that describes required resources (see section 220.12).

220.11. Reflecting performance occurring in future years or funded by prior year monies.

(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 agency 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.

(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 often indicates the fiscal year budget will be used to request funds which 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 performance 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 performance plan (i.e., the plan for the fiscal year in which the performance will actually occur). (See subsection 220.11(b) 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.

220.12. Description of required resources, processes, and technologies.

(a) In general.—The annual performance plan should include a description of the required resources, processes, and technologies required to achieve the performance goals and indicators. These are the means (in many instances, inputs) the agency will employ, and can span operational processes, skills and technology, and human, capital, information, funding or other resources. The descriptions of requirements should be brief, focusing on the resources, processes, and technologies reflected in the budget request, with more detailed elaboration provided when a significant change (increase or decrease) from the previous year's levels or operating modes is proposed. This description is separate from, and in addition to, any description of means-type performance goals or indicators that an agency may establish (see section 220.10(c)).

The description need not be confined to initiatives or changes being newly funded in the fiscal year. Initiatives or investments started in prior years, but which become operational or will be completed during the fiscal year, can be included. Some changes can carryover and affect performance in future years as well.

(b) Regulation and tax expenditures.—Descriptions should be provided for specific regulations and for use of tax expenditures when achievement of program or policy goals is dependant upon these governmental actions. For economically significant rules as defined in Section 3(f)(1) of Executive Order 12866, "Regulatory Planning and Review" (September 30, 1993), that are intended to be proposed or promulgated during the fiscal year, the annual plan should include a quantified estimate of the regulation's cost to Federal, State, local, and tribal governments, and the private sector, and an estimate of the regulation's anticipated benefits. Estimates should be developed consistent with the timing and other criteria in E.O. 12866 and related guidance. Estimates may not be available when the initial version of a performance plan is prepared. If quantified estimates do not yet exist or cannot be developed, the costs and benefits should be described qualitatively.

(c) Proposed legislation.—If achievement of a performance goal is contingent on enactment of legislation during the fiscal year covered by the annual plan, a brief description of this legislation, as proposed in the agency's legislative program, should be included. (Section 6 of OMB Circular No. A–19 provides additional information on an agency legislative program.)

(d) Capital assets/capital programming.—Part 3 of this Circular requires agencies to prepare a capital asset plan and justification for certain major acquisitions. These include acquisitions of importance to an agency's mission, or having a significan role in the administration of agency programs. The annual performance plan should reference the

capital asset plan, and include a brief description of any major acquisition contained in the capital asset plan that will bear significantly on the achievement of a performance goal.

The capital asset plan should also satisfy requirements in the Information Technology Management Reform Act of 1996 (ITMRA) for performance and results-based management. This may include goals for improving agency operations through the use of information technology, benchmarking of agency processes, descriptions of how information technology will be used in helping achieve program goals, and assessments of the staffing, skill, and training needs of agency employees in the information resources management area. ITMRA requirements can be met by including these goals in the annual performance plan.

The performance goal in the annual plan and the performance goal(s) for any major acquisition should be consistent. (See also explanatory table for Exhibit 300B in Part 3.) Further guidance on including and referencing capital asset information in the annual performance plan will be provided on issuance of the Capital Programming Guide.

220.13. Verification and validation.

The annual performance plan should include a description of how an agency intends to verify and validate the measured values of actual performance. The means used should be sufficiently credible and specific to support the general accuracy and reliability of the performance information that is recorded, collected, and reported. Agencies have discretion in determining the method of verification and validation to be used. Although GPRA does not prescribe use of any particular method, technique, or organizational entity, agencies should continue relying on established procedures, such as an audit of financial performance, for certain goals and indicators.

Agencies are not required to develop an independent capacity for verifying or validating performance data received from, or based on, sources outside the agency. Data sources outside the agency should be identified in the plan. Available information from an outside source regarding the accuracy and reliability of its data should be collected, but need not be included in the plan.

Each agency should discuss the means being used to verify and validate performance data with its OMB representative before the initial performance plan is sent to OMB.

220.14. 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.

220.15. Classified or other appendices not available to the public.

An agency may attach a classified appendix to its annual performance plan. The appendix includes any material authorized under criteria established by Executive order to be kept secret in the interest of national defense or foreign policy. The material should be properly classified in accordance with the Executive order. Only the minimum amount of information necessary for the classified appendix should be included. (Instructions on preparation of a similar classified appendix for the annual program performance report will be provided later.)

With OMB approval, agencies may prepare a non-public appendix covering certain law enforcement or revenue collection activities. Agencies should consult with, and receive the approval of, their OMB representative before preparing this type of appendix.

Performance goals or indicators included in a non-public appendix should be sufficiently specific in scope or focus that revealing the goal publicly would likely impede achievement of the goal. While certain performance goals and indicators for these activities may not be in a public portion of the plan, the program performance report will publicly record actual performance—in a *post-facto* manner—against such goals and indicators, and compare this to the target or performance levels in the non-public annex.

220.16. Agency requests for use of alternative form(s) of measurement.

Agencies not able to define performance goals for a particular program or activity in an objective,

quantifiable form may propose an alternative form of measurement. The alternative form may be either:

—separate, descriptive statements of a minimally effective program and a successful program, expressed with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the actual performance meets the criteria of the description; or,

—some other alternative that allows an accurate, independent determination to be made of how actual performance compares to the goal as stated.

Agency requests for use of an alternative form should be submitted to the appropriate OMB representative in advance of the submittal of its annual performance plan. The request must contain the exact proposed language of the goal(s) as these would be expressed in the alternative form, and a statement of why it is not feasible to use an objective, quantifiable form of goal-setting and measurement for the particular program activity. The request may be for more than one fiscal year.

After reviewing the request, OMB will inform the agency whether the alternative form is approved, and, if approved, will specify the fiscal year(s) that the alternative form may be used. The appearance of an alternative form in an annual performance plan, when these are sent to Congress and made available to the public, shall be deemed to be authorized by OMB and the plan need not document the authorization process.

220.17. Agency requests to waive the requirement for performance goals.

An agency may propose that no performance goal(s) be established for a particular program activity. Requests should be for a program or activity that would otherwise be included in a performance plan (i.e., agencies need not request authorization to omit coverage of program activities stemming from a consolidation or aggregation). As with requests for an alternative form of measurement, requests to waive the requirement for performance goals must be approved by OMB.

Requests should be submitted to the appropriate OMB representative in advance of the submittal of its annual performance plan. The agency request should explain why it is infeasible or impractical to have any goal(s) for the program activity, and whether the infeasibility or impracticability is short-term, or remediable with time. The request may be for more than one fiscal year.

After reviewing the request, OMB will inform the agency whether having no goals established for the program activity is authorized, and the fiscal year(s) covered by the authorization. The agency's annual performance plan shall include a reference to any authorization received for this purpose, and the explanation of why it is infeasible or impractical to establish a performance goal(s) for the particular program activity.

220.18. Privileged nature of the initial plan.

In an annual plan, specific target levels of performance and measures are proposed for the performance goals and indicators. In contrast to a description of what will be measured (for example, an error rate), the target levels define what the proposed performance level will be (for example, an error rate of 1.3 percent). As the proposed target levels for many performance goals in the initial plan reflect specific funding levels in an agency's budget request, the initial plan is considered to be pre-decisional. *As privileged material, the initial plan may not be released outside the Executive branch.* (See also sections 12.7 and 12.8 in Part 1 of Circular No. A-11 on the prohibition on releasing certain budget information prior to its official transmittal to Congress.)

For any new program or activity proposed to be initiated and funded as part of the President's budget, both the descriptions of the performance goals, as well as target levels for these goals are pre-decisional and privileged.

Descriptions of performance goals or indicators appearing in a transmitted strategic plan (see section 210.8) or in a previous year's annual performance plan, are already public and are not privileged. In addition, for programs involving a partnership or similar arrangement between an agency and States or local governments, the specific program target levels are not privileged, if they have been negotiated and are public knowledge prior to transmittal of the initial plan to OMB.

Section 4(b) of the Government Performance and Results Act

(This excerpt from Section 4(b) covers 31 U.S.C. 1115 (a)–(e) on annual performance plans.)

SEC.4.(b) PERFORMANCE PLANS AND REPORTS.—Chapter 11 of title 31, United States Code, is amended by adding after section 1114 the following new sections:

"§1115. Performance plans

(a) In carrying out the provisions of section 1105(a)(29), the Director of the Office of Management and Budget shall require each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency. Such plan shall—

"(1) establish performance goals to define the level of performance to be achieved by a program activity;

"(2) express such goals in an objective, quantifiable, and measurable form, unless authorized to be in an alternative form under subsection (b);

"(3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;

"(4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;

"(5) provide a basis for comparing actual program results with the established performance goals; and

"(6) describe the means to be used to verify and validate measured values.

"(b) If an agency, in consultation with the Director of the Office of Management and Budget, determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form, the Director of the Office of Management and Budget may authorize an alternative form. Such alternative form shall—

"(1) include separate descriptive statements of—

"(A)(i) a minimally effective program, and

"(ii) a successful program, or

"(B) such alternative as authorized by the Director of the Office of Management and Budget,

with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the program activity's performance meets the criteria of the description; or

"(2) state why it is infeasible or impractical to express a performance goal in any form for the program activity.

"(c) For the purpose of complying with this section, an agency may aggregate, disaggregate, or consolidate program activities, except that any aggregation or consolidation may not omit or minimize the significance of any program activity constituting a major function or operation for the agency.

"(d) An agency may submit with its annual performance plan an appendix covering any portion of the plan that—

"(1) is specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy; and

"(2) is properly classified pursuant to such Executive order.

"(e) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of performance plans under this section shall be performed only by Federal employees.

STATEMENT OF
JOHN A. KOSKINEN
DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY OF THE
HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
JUNE 3, 1997

Mr. Chairman, I am pleased to appear before the Committee this morning to discuss implementation of the Government Performance and Results Act of 1993 (GPRA) and to provide an assessment of our progress to date in meeting its major requirements. GPRA was enacted[2] three and a half years ago as the result of a bipartisan effort in the Congress, with the support of the Administration, to increase our focus on the results from government programs and activities. This Committee was one of the leaders in the passage of the Act and we look forward to continuing to work with you and the Congress as implementation proceeds.

GPRA strives to answer these important questions: What are we getting for the money we are spending? What are federal programs and organizations trying to achieve? How can the effectiveness of these activities be determined?

As a government, we face major challenges. This is a time of great fiscal constraint. Tight budget resources demand that every dollar count. During a period of much public skepticism about the government's ability to do things right, the government must not only work better, but be shown as working better, if we are to regain public confidence. GPRA, if successfully implemented, will help this effort to improve public confidence in the efforts of its government.

To be successful, implementation of GPRA will also have to be a bipartisan effort. Recently the House Majority Leader and other members of the Congressional leadership have facilitated the consultation process GPRA requires between the Congress and the agencies by coordinating meetings between agencies and the appropriate Congressional staff to discuss the agencies' strategic plans. We look forward to continuing this cooperative consultation process during the next few weeks. It is important to note that the strategic plans currently being reviewed are in draft and that suggestions from the Congress and other interested parties together with further internal consideration will undoubtedly improve their quality.

Let me now summarize the conclusions of the report on GPRA, which the Director of OMB submitted to the Congress on May 19,1997 pursuant to the Act, and discuss those aspects of GPRA implementation that are our most immediate focus.

I. PLANS AND REPORTS REQUIRED BY GPRA

A. Strategic Plans

GPRA requires that Federal agencies submit a strategic plan to Congress and OMB not later than September 30, 1997. The strategic plan covers the major functions and operations of the agency, and contains:

- a comprehensive mission statement
- general goals and objectives
- a description of how the general goals and objectives will be achieved
- a description of the relationship between the performance goals in the annual performance plan and the general goals and objectives in the strategic plan
- an identification of those key factors, external to the agency and beyond its control, that could significantly affect achievement of the goals and objectives
- a description of program evaluations used in the strategic plan, and a schedule for future program evaluations.

The strategic plan spans a minimum six year period: the fiscal year it is submitted, and at least five fiscal years forward from that fiscal year. A strategic plan is to be revised and updated at least once every three years. There is no more important element in performance-based management than strategic plans. These plans set the agency's strategic course, its overall programmatic and policy goals, indicate how these goals will be achieved, and are the foundation and framework for implementing all other parts of GPRA.

GPRA requires agencies, when preparing their strategic plan, to consult with Congress, and solicit and consider the views and suggestions of stakeholders, customers, and other potentially interested or affected parties. As a result of a review of agency strategic planning efforts in 1996, OMB concluded that further guidance on Congressional consultation was needed. In November of last year, OMB issued a memorandum to agencies reinforcing the importance of early consultation with Congress on strategic plans. In February 1997, the Speaker of the House of Representatives, the Senate Majority Leader, the House Majority Leader, and seven Senate and House Committee chairmen joined in a letter to OMB setting out Congressional expectations for the consultation process under GPRA. This letter, and OMB's response to it, became the basis for a second OMB issuance on Congressional consultation.

The Administration is currently undertaking a strategic assessment of agency goals and commitments. This assessment is being conducted jointly by the agencies and OMB. A focus of

the strategic assessment is the agencies' implementation of GPRA, and the preparation of the strategic plans and the annual performance plans that are due in September.

Generally, the agency plans reflect a serious effort and allow us to conclude that agencies should be able to produce useful and informative strategic plans by this Fall. OMB's reviews of agency efforts have also revealed several challenges. Last summer, most agencies were only beginning to link the general goals and objectives of their plans with the annual performance goals they would be including in their annual performance plan. Further inter-agency coordination on programs or activities that are cross-cutting in nature is also necessary. The efforts of the Office of National Drug Control Policy provide a useful model for how such coordination across agencies with overlapping responsibilities might be carried out.

B. Annual Performance Plans

Pursuant to the statute, the first of the agency annual performance plans will be sent to OMB this September. These plans will be for fiscal year 1999, and will be submitted with the agency's budget request for that year. The annual performance plans will contain the specific performance goals that the agency intends to achieve in the fiscal year. GPRA provides that a subsequent iteration of the annual performance plan be sent to Congress concurrently with release of the President's budget.

The agencies and OMB gained valuable experience in preparing annual performance plans through the pilot project phase of GPRA. OMB has initiated a review of the performance goals that agencies proposed to include in their annual performance plans for FY 1999. This review is still ongoing. The agencies are providing OMB with descriptions of their proposed performance goals, illustrating what will be measured and the nature and type of measurement. Gaining an early consensus on these goals will not only help assure that they are appropriate and relevant but will allow agencies to measure current performance, creating a baseline from which to set future performance levels or targets.

In another joint collaboration with the agencies, OMB has prepared guidance on the preparation and submission of annual performance plans for FY 1999. This guidance was issued last week. We expect agencies to produce useful and informative annual performance plans for FY 1999.

C. Government-wide performance plan

GPRA requires that a government-wide performance plan be annually prepared and made part of the President's budget. The government-wide performance plan is based on the agency annual performance plans. The first government-wide plan will be sent to Congress in February 1998, and cover FY 1999. In this regard, we would welcome your views on those features that you believe would make the plan informative and useful to the Congress.

D. Program Performance Reports

The agency's program performance report is the annual concluding element of GPRA. These reports are required within six months of the end of a fiscal year, and compare actual performance with the performance goal target levels in the annual performance plan. In cases of unmet goals, agencies will explain why and describe the actions being taken to achieve the goal in the future. The first program performance reports, for FY 1999, are to be sent to the President and Congress by March 31, 2000.

Some agencies are experimenting with different formats for performance reporting in the Accountability Report pilot program authorized by the Government Management Reform Act. For FY 1996, 8 agencies are issuing Accountability Reports, and are including various information on the agency's performance as well as other statutorily-required information such as the agency's audited financial statement and the Federal Managers' Financial Integrity Act report.

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II. PILOT PROJECTS REQUIRED BY GPRA

GPRA provided for three sets of pilot projects. The performance measurement pilot projects tested whether the specifications and structure for the annual performance plan and program performance report would work as intended. The managerial accountability and flexibility pilot projects were to assess the effect of giving managers and staff greater latitude in administering and managing programs. Both sets of pilot projects were timed to precede the implementation of GPRA government-wide.

The third set of pilot projects are for performance budgeting. These pilots will examine the practicability of determining and presenting the changes in performance levels that result from different funding levels. The performance budgeting concept that will be tested by these pilot projects is the only provision in GPRA that cannot be implemented government-wide without further legislation.

A. Performance Measurement Pilot Projects

GPRA required that at least ten departments or agencies be designated as pilot projects for performance plans and program performance reports. The pilot projects covered three fiscal years and tested the ability of agencies to establish performance goals, and subsequently measure and report actual performance against these goals. Pilot projects were designated in all 14 Cabinet departments and an equal number of independent agencies. The 28 designations included over 70 individual pilots in the departments and agencies.

The performance measurement pilot projects became a substantial initiative. Approximately a quarter of the entire Federal civilian workforce were covered by the pilots. The size of individual pilots ranged from complete agencies to small component organizations. The

largest pilots included the entirety of the Internal Revenue Service, Social Security Administration, Defense Logistics Agency, and the Forest Service. Several agencies covered a large proportion of their programs through individual pilots.

The most important conclusion reached on completion of the performance measurement pilot projects is that -- without these pilots and the time given agencies across the government to gain experience in performance-based management -- there would be little prospect for a successful implementation of GPRA government-wide. The scope and dimension of these pilots confirmed that virtually every activity done by government can be measured in some manner, although not perfectly.

Over the course of the three years, improvement was generally seen in the pilot projects' ability to set goals, and measure and report performance against these goals. The improvement was uneven, and not always immediate. Goals often were changed or refined from year to year. While this is to be expected in any pilot project process, it also indicates that the first years of full-scale implementation of GPRA will be the start of a dialogue about performance and performance measures, not the end of it. Measures will be modified, better and more appropriate goals will be defined, performance data will increase in both volume and quality. Over time the overall quality of agency plans and reports should improve significantly.

B. Managerial Flexibility Pilots

The second set of pilot projects called for by GPRA are those for managerial accountability and flexibility. At least five departments or agencies were to be designated as pilot projects for fiscal years 1995 and 1996. While agency nominations for these pilot projects were solicited and received, no pilot projects were designated.

An unanticipated combination of circumstance and timing had a major effect on the flexibility pilots. GPRA was substantially drafted in 1992, and became law the following year. Two initiatives subsequently reduced the universe of possible waivers. These were the Workforce Restructuring Act of 1994, and the elimination of many non-statutory requirements by several central management agencies through the efforts of the National Performance Review.

The Workforce Restructuring Act effectively prevented OMB from approving any FTE ceiling waiver requests at the time when these pilot project nominations were solicited and reviewed. Such FTE waivers would have been an important component of many proposed pilots. At the same time, the Administration was eliminating and simplifying many requirements affecting the operation of Federal agencies. The *Federal Personnel Manual* was eliminated by OPM, and thousands of pages of instructions and requirements disappeared. Procurement regulations were substantially streamlined. With far fewer requirements in place, waiver demand was lessened as well.

In this context, OMB concluded that too few waivers would be authorized to designate any pilot project, and have that pilot serve as a credible test of the managerial accountability and flexibility provisions of GPRA. We also decided that it was better to have no flexibility pilots than to proceed with designations that would be viewed as not being a serious demonstration or test of the managerial flexibility and accountability provisions of GPRA.

A major effort currently underway to create Performance Based Organizations (PBOs) may be the preferred means for some agencies to obtain managerial flexibility in the near-term. PBOs are given greater personnel and procurement flexibility for a commitment to achieve specific improvements in performance. The PBOs must be legislatively authorized, and their flexibility may encompass relief from selected statutory requirements as well as administrative requirements. The PBOs present a much closer analog to the flexibility given managers in other countries using a performance-based approach to management then is available under GPRA.

While no flexibility pilot projects were designated, the collaboration among the four central management agencies both in defining a process for reviewing and deciding on waivers and identifying possible waivers, forms a good foundation for government-wide implementation of this aspect of GPRA.

C. Performance Budgeting Pilot Projects

GPRA requires that not less than five departments or agencies be designated as performance budgeting pilots for fiscal years 1998 and 1999. These pilots are to develop budgets that display the varying levels of performance resulting from different budgeted amounts. The pilot project must cover one or more of the major functions or operations of the agency.

OMB has notified the chairmen of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight that it plans to defer the start of the performance budgeting pilot projects by one year. This would reschedule the alternative presentation of the pilot project performance budgets until the fiscal year 2000 budget. This deferral does not affect the schedule or content requirements for agency strategic plans and annual performance plans.

III. EXEMPTIONS AND POTENTIAL CHANGES TO GPRA

Congress also asked that OMB address a number of specific issues in the May 1997 report.

A. Agency Exemptions

OMB is authorized to exempt certain agencies from having to meet the requirements of the Act for strategic plans, annual performance plans, and annual program performance reports. Independent agencies with $20 million or less in annual outlays are eligible for an exemption. Approximately half the agencies requesting an exemption received one. The agencies exempted from the statute are listed in our report. Not every eligible agency sought an exemption; the exempted agencies comprise about a third of the eligible agencies. OMB believes no change in the $20 million amount is needed at this time.

B. Framework for Tax Expenditure Analysis

The Senate Committee on Governmental Affairs report on GPRA requests that the Director of OMB establish and describe a framework for analysis of tax expenditure provisions. The framework used to evaluate tax expenditures is expected to follow the basic structure for performance measurement, which is concerned with inputs, outputs, and outcomes. The framework is also expected to promote comparisons of tax expenditures with other means of addressing their main objectives or budget functions, such as spending or regulatory programs.

To explore methods for tax expenditure evaluation, the Department of the Treasury this year will have lead responsibility for pilot evaluations of several selected tax-expenditure provisions. These provisions involve individual, business, and international taxation issues. This approach will enable Treasury to gather experience on a cross-section of issues and also to spread the evaluation effort across its staff resources. As this work progresses, the General Accounting Office and the Joint Committee on Taxation will also be consulted. The expectation is that a schedule of additional evaluations of tax expenditures will be included in the government wide performance plan that will be published as a part of the President's Fiscal Year 1999 Budget.

Developing a framework that is appropriately comprehensive, accurate, and flexible to reflect the objectives and effects of the wide range of tax expenditures will be a significant challenge. It is expected that this framework will evolve and improve over the next several years and that quantitative estimates will be made to the extent possible. The measures developed could then be compared with the costs of the provisions and with the costs and benefits of other means of achieving similar performance goals.

C. Amending the Government Performance and Results Act

Section 6 of the GPRA required OMB to include in its May 1997 report any recommended changes in the various provisions of the Act. The experience to date in implementing GPRA has not identified any provisions that require change. OMB has separately described certain changes in GPRA timelines that would be needed if GPRA schedules were to conform to a biennial Federal budget, if a two-year budget became law.

IV. CONCLUSIONS

As noted earlier, we expect agencies to provide useful and informative strategic and annual performance plans within the timeline specified by the Act. Even as performance measures become more refined, however, we should always bear in mind that using performance measures in the budgeting process will never be an exact science. For example, an under-performing program may benefit from additional resources, not fewer. Comparing results across program lines will always require political judgments about the relative priorities, for example, of programs for highways and education. And we should not lose sight of the fact that performance information will often be used to adjust the way programs are managed rather than to change the resources provided. Accurate, timely performance information is important in all these situations and this is why the Administration is committed to the successful implementation of GPRA.

This concludes my statement, Mr. Chairman. I'd be pleased to take any questions you may have.

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Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review

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Preface

Under the Government Performance and Results Act (GPRA) of 1993, every major federal agency must now ask itself some basic questions: What is our mission? What are our goals and how will we achieve them? How can we measure our performance? How will we use that information to make improvements? GPRA forces a shift in the focus of federal agencies--away from such traditional concerns as staffing and activity levels and toward a single overriding issue: results. The act requires agencies to set goals, measure performance, and report on their accomplishments.

There is no more important element in results-oriented management than an agency's strategic planning effort. This effort is the starting point and foundation for defining what the agency seeks to accomplish, identifying the strategies it will use to achieve desired results and then determining how well it succeeds in reaching results-oriented goals and achieving objectives. Developing a strategic plan can help clarify organizational priorities and unify the agency's staff in the pursuit of shared goals.

Leading results-oriented organizations focus on the process of strategic planning, rather than on a strategic planning document. They believe strategic planning is not a static or occasional event, but rather a dynamic and inclusive process. If done well, strategic planning is continuous, provides the foundation for the most important things the organization does each day, and fosters informed communication between the organization and its stakeholders--that is, those parties potentially affected by or interested in the organization's activities.

For strategic planning to be done well, we found that three practices appear to be critical.[1] Organizations must (1) involve their stakeholders; (2) assess their internal and external environments; and (3) align their activities, core processes, and resources to support mission-related outcomes. Stakeholder involvement is particularly important for federal agencies because they operate in a complex political environment in which legislative mandates are often broadly stated and some stakeholders may disagree strongly about the agency's mission and goals.

The act seeks to address such situations by requiring agencies, as they develop their strategic plans, to consult with Congress and solicit the views of other key stakeholders. According to the Office of Management and Budget (OMB) Circular

[1] Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

No. A-11, Part 2,[2] a transmittal letter to Congress accompanying the strategic plan, is to include information on the consultations that occurred and goals or strategies suggested by stakeholders that are contrary to the agency's strategic plan. The letter also is to describe the contribution (if significant) made by nonfederal parties–e.g., consultants, customers, contractors, state governments–in the preparation of the strategic plan.

Purpose and Use of This Guide

In March 1997, after interviewing both congressional staff and agency officials who had participated in early consultations, we testified on some general approaches that may contribute to the usefulness of GPRA consultations.[3] Congressional staff and agency officials expressed a widespread appreciation for the essential role that consultations can play in the development of a strategic plan that is useful to the agency and appropriately takes into account the views of Congress. However, both congressional staff and agency officials we interviewed believed that their consultation experiences had been too limited to use in identifying specific best practices for future consultations.

Recognizing that best practices had not yet evolved, the Chairmen of the Government Reform and Oversight Committee, Committee on Appropriations, and Committee on the Budget in the House of Representatives requested that we develop an initial set of key questions to facilitate congressional consultations on the plans and to help Congress determine how those plans can be improved to better support congressional and agency decisionmaking. They saw a need for a readily usable tool to provide a starting point for fruitful dialogue. This guide was developed in response to that request. The guide should also be helpful to agencies as they develop their strategic plans. We expect that as agencies and Congress gain experience with the act, develop strategic plans and engage in the required consultations, additional issues and key questions will emerge. We will incorporate those issues and key questions into subsequent versions of this document as appropriate.

This document consists of three sections. The first lists key questions on the overall strategic plan that congressional staff may find useful in determining how those plans can be improved to better support congressional and agency decisionmaking. For each of the six critical components GPRA requires for strategic plans, the second section describes the component's purpose, includes a definition, and suggests key questions for the consultation. The third section

[2]Circular A-11, Part 2, Preparation and Submission of Strategic Plans (Sept. 1995).

[3]Managing For Results: Enhancing the Usefulness of GPRA Consultations Between the Executive Branch and Congress (GAO/T-GGD-97-56, March 10, 1997).

consists of a set of tables that repeat the key questions on the overall plan and for each component of the plan. The tables are intended to facilitate a "hands on" review of draft plans by providing space to write comments on or answers to each question.

One key lesson that emerged from our examinations of early consultation efforts was that to be most useful, consultations must be tailored to the individual needs and experiences of congressional committees and agencies. Thus, every question contained in this guide may not be appropriate for every specific consultation. Congressional staff may want to focus on those questions that are most relevant to their needs as they engage in a particular consultation.

We developed this guide based on GPRA requirements for agency strategic plans; key steps and best practices described in our Executive Guide for effectively implementing the act; and guidance contained in the OMB Circular No. A-11, Part 2. To help ensure its usefulness to congressional staff, the guide was reviewed by selected House staff actively involved in consultations; their suggested improvements were incorporated. We also obtained and incorporated comments from OMB staff directly involved in overseeing agencies' efforts to implement the act.

Major contributors to this guide were Donna Byers, Victoria M. O'Dea, Hazel Bailey, Alan Stapleton, and J. Christopher Mihm. An electronic version of this guide is available from GAO's World-Wide Web server at the following Internet address: http://www.gao.gov.

If you have any questions about this guide, please contact Michael Brostek, Associate Director, or me on (202) 512-8676.

L. Nye Stevens
Director, Federal Management and
Workforce Issues

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Section 1

Key Questions on the Overall Strategic Plan for the Agency

The following section provides key questions on the agency's overall plan that may facilitate congressional consultations on the plan, including determining how the plan relates to other management initiatives on information technology and financial information.

The Overall Strategic Plan: Key Questions

- Is the plan consistent with legislative priorities and agendas? Are there areas important to your Committee that have not been addressed in the strategic plan?
- Did the agency already consult with other congressional committees? What were their views on the draft plan's mission, strategic goals, and strategies?
- Does the plan reflect coordination with other executive agencies as appropriate? Are other agencies' plans attempting to achieve similar strategic goals, or do they have activities or functions similar to those discussed in the plan under review? If so, how does the plan ensure that such related efforts are complementary, appropriate in scope, and not unnecessarily duplicative?
- What organizations and individuals were key stakeholders and why? Were their views on the plan solicited and incorporated? Why or why not?
- What agency staff were involved in developing the plan? Did they include line managers? How, if at all, does the agency plan to communicate the goals, priorities, and decisions reflected in the strategic plan to managers and staff throughout the agency?
- What contribution was made by nonfederal parties--e.g., consultants, customers, contractors, state governments--in preparing the plan?
- If the agency was involved in a GPRA performance measurement pilot project, did any "lessons learned" from the pilot influence the draft strategic plan? How?

- How will information technology reforms required by the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996 better support the agency's mission and improve its program performance?

- Is there an investment control process, consistent with the Clinger-Cohen Act, to prioritize information technology projects in line with the agency's overall goals and priorities?

- Does the plan include a general description of the information resources needed to meet the agency's strategic goals? Does this information include steps to build the staff skills to develop and manage the information systems needed to support the achievement of GPRA goals?

- How does the agency plan to provide timely, reliable, useful, and consistent financial information as required by the Chief Financial Officers Act, as expanded and amended by the Government Management Reform Act?

- Overall, is the plan logical, and do the various components fit together well? In other words, can the plan, if implemented well, get the agency "from here to there?"

The following section discusses key questions on each component of an agency strategic plan that may be useful to congressional staff who are preparing for consultations with agency officials.

Section 2

Key Questions on Required Components of Agency Strategic Plans

GPRA requires that each strategic plan include six components. This section describes each component's purpose and includes a definition. It also provides key questions that may be useful for the consultation.

Six Required Components

Agency strategic plans are to have six critical components:

(1) a comprehensive agency **mission statement**;

(2) agencywide long-term **goals and objectives** for all major functions and operations;

(3) **approaches (or strategies) to achieve the goals and objectives** and the various resources needed;

(4) a **relationship between the long-term goals/objectives and the annual performance goals;**

(5) an identification of **key factors, external to the agency** and beyond its control, that could significantly affect achievement of the strategic goals; and

(6) a description of **how program evaluations were used to establish or revise strategic goals,** and a schedule for future program evaluations.

(1) Mission Statement

The mission statement brings the agency into focus. It explains why the agency exists and tells what it does. Because programs ultimately must have a statutory basis and because Congress is the source of legislation creating, modifying, and funding programs, Congress' involvement is indispensable in defining each agency's mission and establishing its goals. This involvement may entail identifying legislative changes that are needed to clarify or modify Congress' intent and expectations or addressing differing conditions and citizens' needs that have occurred since the original statutory requirements were established.

The federal government's adaptive responses over time to new needs and problems have also contributed to fragmentation and overlap in a host of program areas, such as food safety, employment training, early childhood development, and rural development.[4] Overlapping and fragmented programs waste scarce funds, confuse and frustrate program customers, and limit the overall effectiveness of the federal effort.

The requirement for agencies to consult with Congress in developing their strategic plans presents an important opportunity for congressional committees and the executive branch to work together to address the problem of agencies whose (1) missions are not well-defined or are not aligned with related efforts in other agencies, (2) goals are unclear or nonexistent, and (3) programs are not properly targeted. Such consultations should be helpful to Congress in modifying agencies' missions; setting better priorities; and restructuring, creating, or terminating programs.

[4]See, for example, Food Safety: A Unified, Risk-Based Food Safety System Needed (GAO/T-RCED-94-223, May 1994) and Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994).

Mission Statement: Key Questions

- Is the mission results-oriented, and does it fulfill a public need? If not, how could the mission better focus on results?
- Is the mission based on statute, and if so, does it cover all relevant statutes?
- Are parts of the agency's functions or activities not covered in the mission statement? Why?
- Are there developments (e.g., in technology or competition) that suggest the mission and corresponding legislation need to be revised or updated?
- Is the agency's mission similar to those of other agencies, and if so, has coordination occurred? Does unwarranted duplication of missions exist?
- How is the agency's mission differentiated from those of other agencies with similar missions? Are there unique agency characteristics that give it an advantage in fulfilling its mission, such as location of field offices or staff expertise?

(2) General Goals and Objectives

General goals and objectives--or strategic goals--explain what results are expected from the agency's major functions and when to expect those results. Thus, such goals are an outgrowth of the mission and are very often results-oriented. The general goals need not be in a quantitative or measurable form, but the Senate Committee on Governmental Affairs' committee report (S. Rep. 103-58) on GPRA says goals must be expressed in a manner that allows for future assessment of whether they are being achieved.

Congress intended for GPRA to fundamentally shift the focus of federal management and oversight from a focus on staffing and activity levels to a focus on the results of federal programs. This will not be an easy transition, nor will it be quick because agencies must move beyond what they control--their activities--to focus on what they merely influence--their results. But the act has the potential for adding greatly to government performance--a particularly vital goal at a time when resources are limited and public demands are high.

Goals and Objectives: Key Questions

- Do the goals cover the major functions and operations of the agency? If not, what functions and operations are missing? Are the goals logically related to the mission?
- Are the goals results-oriented, such as to reduce crime or have fewer workplace accidents? Or, are they focused more on outputs, such as inspecting more workplaces? If so, why?
- If the goals are not expressed in a quantitative or measurable form, are they expressed in a manner that will allow the agency and Congress to assess whether the goals are achieved?
- Are all of the agency's goals and priorities consistent with Congress' goals and priorities? When differences exist, why do they exist, and can they be resolved?
- Do the agency's goals appear similar to the goals in plans of other agencies that are performing related activities? If so, are these sets of goals complementary or duplicative?
- Are the goals targeted at results over which the agency has a reasonable degree of influence (may not apply to all agencies)?

(3) Approaches or Strategies to Achieve the General Goals and Objectives

Strategies help in aligning an agency's activities, core processes, and resources to support achievement of the agency's strategic goals and mission. Under GPRA, strategies are to briefly describe the operational processes, staff skills, and technologies, as well as the human, capital, information, and other resources, needed. According to OMB Circular No. A-11, Part 2, such strategies should also outline how the agency will communicate strategic goals throughout the organization, and hold managers and staff accountable for achieving these goals.

We have found that some agencies need to do a better job of designing strategies to improve efficiency and reduce costs.[5] In an era of fiscal constraint, agencies' planning processes should support making intelligent resource allocation decisions that minimize, to the extent possible, the effect of funding reductions on mission accomplishment. Congress can use the consultation process to assure itself that the agency has designed well-thought-out strategies to achieve results-oriented goals and that the strategies are consistent with Congress' fiscal realities.

[5]For example, see State Department: Options for Addressing Possible Budget Reductions (GAO/NSIAD-96-124, Aug. 29, 1996).

Approaches or Strategies: Key Questions

- How are the goals to be achieved? Are the strategies logically linked to the goals and the day-to-day activities of the managers and staff? Are they consistent with historical resource trends?
- What steps will the agency take to align its activities, core processes, workforce, and other resources to support its mission-related outcomes?
- What are the required resources, such as human, capital, and information? Are new regulations, flexibilities, user fees, or legislation required?
- What steps is the agency taking to ensure that managers have the authority they need to achieve results? Are there strategies to hold managers accountable for the results? Are there any strategies that focus on providing incentives for managers and other staff to achieve the goals?
- Do managers have the knowledge, skills, and abilities to implement GPRA? If not, what strategies are needed to develop the necessary capacity?
- Are technological advances necessary to successfully execute the strategies? If so, how likely are those advances?
- What, if any, alternative strategies were considered?
- Are there programs or activities that need to be eliminated, created, or restructured to achieve the goals?

(4) Relationship Between the Long-Term Goals/Objectives and the Annual Performance Goals

Under GPRA, agencies' long-term strategic goals are to be linked to their annual performance plans and the day-to-day activities of their managers and staff. Without this linkage, Congress may not be able to judge whether an agency is making progress toward achieving its long-term goals. The first governmentwide annual performance plan is to cover fiscal year 1999 and be submitted to Congress about February 1998 with the President's budget. The individual agency plans are to be submitted to Congress shortly thereafter. In anticipation of Congress receiving these annual plans, many congressional staff are particularly interested in how general goals will be translated into the future annual performance goals. We include several related questions that congressional staff may want to ask agency officials.

GPRA defines an annual performance goal as the target level of performance expressed as a tangible, measurable objective against which actual achievement is to be compared. An annual performance goal is to consist of two parts: (1) the **performance measure** that represents the specific characteristic of the program used to gauge performance and (2) the **target level** of performance to be achieved during a given fiscal year for the measure. For example, a tangible goal may be to increase the lead time for predicting tornadoes (characteristic) from 7 to 9 minutes (target level).

In areas where meaningful objective measurement is not feasible, GPRA allows agencies to use an alternative form of performance assessment, provided they receive authorization from OMB. All forms of performance assessment must be in terms that would permit an independent determination of whether the program's eventual performance corresponded to the performance statement.

Relationship Between Long-Term Goals and Annual Performance Goals: Key Questions

- Does the plan describe how annual performance goals will be related to long-term goals, e.g., how annual goals will be used to gauge progress? If not, why not?
- What additional descriptive information, if any, could be included in the strategic plan to help clarify the link between the strategic goals and the annual goals that will subsequently be proposed? For example, are key terms and performance measures defined?
- Does the strategic plan recognize the need for a clear linkage between the annual goals and the program activity structure listed in the budget?
- Is the agency considering whether any revisions will be needed to budget account and program activity structures? If revisions will be needed, is the agency consulting with the Committees on Appropriations and cognizant authorizing committees?
- Does the strategic plan indicate whether each long-term strategic goal will have a corresponding outcome-oriented annual performance goal?
- Will the agency's annual performance goals be tangible or measurable? If not, does the agency plan to ask OMB for an alternative form of performance assessment for its annual performance plan? If so, will the alternative provide some basis for assessing whether the goals were met?
- Has the agency established annual performance measures to determine how well information technology is supporting strategic and program goals, as required by the Clinger-Cohen Act?
- Will the agency's performance goals include goals related to reducing any unintended negative effects of agency programs, e.g., increases in loan default rates or in the burden that agency programs may place on the private sector?

(5) Key External Factors Beyond the Agency's Control

This component of the plan involves an identification and discussion of key factors external to the agency and beyond its control that could occur during the period covered by the strategic plan and could significantly affect achievement of strategic goals. Such factors could include economic, demographic, social, technological, or environmental factors. Without this assessment, Congress or the agencies may not be able to judge the likelihood of achieving the strategic goals and actions needed to better meet those goals.

External factors can at times invalidate assumptions that the agency initially used to develop a goal. Consequently, information on these factors can be useful for goal setting and also for explaining results in the agency's annual performance reports, including, when applicable, the reasons annual performance goals were not met.

Key external factors could also include conditions or events that would affect the agency's ability to achieve its strategic goals if they do not occur. For example, achievement of goals can depend on the actions of other federal entities, state governments, local governments, and nonfederal entities. According to OMB Circular No. A-11, Part 2, in its plan, the agency should briefly (1) describe each key factor, (2) indicate its link with a particular strategic goal or goals, and (3) describe how achievement of the goal(s) could be affected by the factor.

Beyond monitoring external factors, leading organizations monitor their internal environments continuously and systematically. Internal factors could include the culture of the agency, its management practices, and its business processes. By doing this internal monitoring, these organizations are better able to anticipate future challenges and make adjustments so that potential problems do not become crises. For this reason, we include a question about internal factors that congressional staff may want to ask, even though assessing internal factors is not required either by the act or OMB.

External Factors: Key Questions

- Does the agency monitor external factors? If not, why not? If it does, is the monitoring process likely to identify all the major factors? What have been the findings of this monitoring?
- Have any actions been identified that could reduce or ameliorate the potential impact of external factors?
- Are the agency's strategies for achieving its long-term goals properly reflective of external factors? For example, if changes in information technology make it possible to increase productivity, does the plan discuss how this change will be translated either into more progress in achieving results or into savings through downsizing the workforce?
- Does the agency monitor internal factors? What internal factors within the control of the agency could affect achievement of the strategic goals? Are agency culture changes needed?

(6) How Program Evaluations Were Used to Establish or Revise Strategic Goals

GPRA was intended, in part, to improve congressional and agency decisionmaking by providing comprehensive and reliable information on the extent to which federal programs are fulfilling their statutory intent. Program evaluations can be a potentially critical source of information for Congress and others in ensuring the validity and reasonableness of goals and strategies, as well as for identifying factors likely to affect performance. Such information can also be useful in explaining results in the agency's annual performance reports, including, when applicable, the reasons annual performance goals were not met, and identifying appropriate strategies to meet unmet goals.

Program evaluations are defined in the act as objective and formal assessments of the results, impact, or effects of a program or policy. Program evaluations include assessments of the implementation and results of programs, operating policies, and practices. According to OMB Circular No. A-11, Part 2, the program evaluation schedule included in the strategic plan should outline the general scope and methodology for the evaluations, key issues to be addressed, and when such evaluations are to occur. Further, such schedules should cover the fiscal years leading to the next revision of the strategic plan.

How Program Evaluations Were Used: Key Questions

- Were program evaluation findings used in developing the strategic goals or other components of the plan? Were GAO or Inspector General report findings used?
- Are systems in place or planned to produce reliable performance and cost data needed to set goals, evaluate results, and improve performance? For example, does the agency have trend or baseline data that it can use to confidently set goals?
- Is there a schedule for future program evaluations? If not, why not? If yes, does it outline the general scope and methodology for the evaluations, key issues to be addressed, and when such evaluations are to occur?
- How will future program evaluation findings be used to improve performance? How will the agency's program evaluations inform congressional decisionmaking?

Section 3

Tables for Reviewing Agency Strategic Plans

This section lists the six critical components of strategic plans and then repeats the section 1 and 2 key questions in a table format. This format is intended to facilitate a "hands on" review of draft strategic plans by providing space for congressional staff to write their answer (or the agency's answer) to each question and any comments they might want to make.

One key lesson that emerged from our examinations of early consultation efforts was that to be most useful, consultations must be tailored to the individual needs and experiences of congressional committees and agencies. Thus, every question contained in this guide may not be appropriate for every specific consultation. Congressional staff may want to focus on those questions that are most relevant to their needs as they engage in a particular consultation. Depending on the context, some questions cannot be answered "yes" or "no." However, we have included such response boxes for use when appropriate.

Required Components

As discussed in section 2, GPRA requires that agency strategic plans have six critical components:

(1) a comprehensive agency **mission statement**;

(2) agencywide long-term **goals and objectives** for all major functions and operations;

(3) **approaches (or strategies) to achieve the goals and objectives** and the various resources needed;

(4) a **relationship between the long-term goals/objectives and the annual performance goals;**

(5) an identification of **key factors, external to the agency** and beyond its control, that could significantly affect achievement of the strategic goals; and

(6) a description of **how program evaluations were used to establish or revise strategic goals,** and a schedule for future program evaluations.

OVERALL STRATEGIC PLAN			
Question	**Yes**	**No**	**Comment**
Is the plan consistent with legislative priorities and agendas? Are there areas important to your Committee that have not been addressed in the strategic plan?			
Did the agency already consult with other congressional committees? What were their views on the draft plan's mission, strategic goals, and strategies?			
Does the plan reflect coordination with other executive agencies as appropriate? Are other agencies' plans attempting to achieve similar strategic goals, or do they contain activities or functions similar to those discussed in the plan under review? If so, how does the plan ensure that such related efforts are complementary, appropriate in scope, and not unnecessarily duplicative?			
What organizations and individuals were key stakeholders, and why? Were their views on the plan solicited and incorporated? Why or why not?			

OVERALL STRATEGIC PLAN			
Question	**Yes**	**No**	**Comment**
What agency staff were involved in developing the plan? Did they include line managers? How, if at all, does the agency plan to communicate the goals, priorities, and decisions reflected in the strategic plan to managers and staff throughout the agency?			
What contribution was made by nonfederal parties--e.g., consultants, customers, contractors, state governments--in preparing the plan?			
If the agency was involved in a GPRA performance measurement pilot project, did any "lessons learned" from the pilot influence the draft strategic plan? If so, how?			
How will information technology reforms required by the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996 better support agencies' missions and improve its program performance?			
Is there an investment control process, consistent with the Clinger-Cohen Act, to prioritize information technology projects in line with the agency's overall goals and priorities?			

OVERALL STRATEGIC PLAN

Question	Yes	No	Comment
Does the plan include a general description of the information resources needed to meet the agency's strategic goals? Does this information include steps to build the staff skills to develop and manage the information systems needed to support the achievement of GPRA goals?			
How does the agency plan to provide timely, reliable, useful, and consistent financial information as required by the Chief Financial Officers Act, as expanded and amended by the Government Management Reform Act?			
Overall, is the plan logical, and do the various components fit together well? In other words, can the plan, if implemented well, get the agency "from here to there?"			

Additional comments:

(1) MISSION STATEMENT			
Question	**Yes**	**No**	**Comment**
Is the mission results-oriented, and does it fulfill a public need? If not, how could the mission better focus on results?			
Is the mission based on statute, and if so, does it cover all relevant statutes?			
Are parts of the agency's functions or activities not covered in the mission statement? Why?			
Are there developments (e.g., in technology or competition) that suggest the mission and corresponding legislation need to be revised or updated?			
Is the agency's mission similar to those of other agencies, and if so, has coordination occurred? Does unwarranted duplication of missions exist?			

(1) MISSION STATEMENT			
Question	**Yes**	**No**	**Comment**
How is the agency's mission differentiated from those of other agencies with similar missions? Are there unique agency characteristics that give it an advantage in fulfilling its mission, such as location of field offices or staff expertise?			

Additional comments:

(2) LONG-TERM GOALS AND OBJECTIVES			
Question	**Yes**	**No**	**Comment**
Do the goals cover the major functions and operations of the agency? If not, what functions and operations are missing? Are the goals logically related to the mission?			
Are the goals results-oriented, such as to reduce crime or have fewer workplace accidents? Or, are they focused more on outputs, such as inspecting more workplaces? If so, why?			
If the goals are not expressed in a quantitative or measurable form, are they expressed in a manner that will allow the agency and Congress to assess whether the goals are achieved?			
Are all of the agency's goals and priorities consistent with Congress' goals and priorities? When differences exist, why do they exist, and can they be resolved?			

(2) LONG-TERM GOALS AND OBJECTIVES			
Question	**Yes**	**No**	**Comment**
Do the agency's goals appear similar to the goals in plans of other agencies that are performing related activities? If so, are these sets of goals complementary or duplicative?			
Are the goals targeted at results over which the agency has a reasonable degree of influence (may not apply to all agencies)?			

Additional comments:

(3) APPROACHES OR STRATEGIES TO ACHIEVE THE GOALS AND OBJECTIVES			
Question	**Yes**	**No**	**Comment**
How are the goals to be achieved? Are the strategies logically linked to the goals and the day-to-day activities of the managers and staff? Are they consistent with historical resource trends?			
What steps will the agency take to align its activities, core processes, workforce, and other resources to support its mission-related outcomes?			
What are the required resources, such as human, capital, and information? Are new regulations, flexibilities, user fees, or legislation required?			
What steps is the agency taking to ensure that managers have the authority they need to achieve results? Are there strategies to hold managers accountable for the results? Are there any strategies that focus on providing incentives for managers and other staff to achieve the goals?			

(3) APPROACHES OR STRATEGIES TO ACHIEVE THE GOALS AND OBJECTIVES			
Question	**Yes**	**No**	**Comment**
Do managers have the knowledge, skills, and abilities to implement GPRA? If not, what strategies are needed to develop the necessary capacity?			
Are technological advances necessary to successfully execute the strategies? If so, how likely are those advances?			
What, if any, alternative strategies were considered?			
Are there programs or activities that need to be eliminated, created, or restructured to achieve the goals?			

Additional comments:

(4) RELATIONSHIP BETWEEN THE LONG-TERM GOALS AND THE ANNUAL PERFORMANCE GOALS			
Question	**Yes**	**No**	**Comment**
Does the plan describe how annual performance goals will be related to long-term goals, e.g., how annual goals will be used to gauge progress? If not, why not?			
What additional descriptive information, if any, could be included in the strategic plan to help clarify the link between the strategic goals and the annual goals that will subsequently be proposed? For example, are key terms and performance measures defined?			
Does the strategic plan recognize the need for a clear linkage between annual goals and the program activity structure listed in the budget?			
Is the agency considering whether any revisions will be needed to budget account and program activity structures? If revisions will be needed, is the agency consulting with the Committees on Appropriations and cognizant authorizing committees?			

(4) RELATIONSHIP BETWEEN THE LONG-TERM GOALS AND THE ANNUAL PERFORMANCE GOALS			
Question	**Yes**	**No**	**Comment**
Does the strategic plan indicate whether each long-term strategic goal will have a corresponding outcome-oriented annual performance goal?			
Will the agency's annual performance goals be tangible or measurable? If not, does the agency plan to ask OMB for an alternative form of performance assessment for its annual performance plan? If so, will the alternative provide some basis for assessing whether the goals were met?			
Has the agency established annual performance measures to determine how well information technology is supporting strategic and program goals, as required by the Clinger-Cohen Act?			
Will the agency's performance goals include goals related to reducing any unintended negative effects of agency programs; e.g., increases in loan default rates or in the burden that agency programs may place on the private sector?			

(5) KEY EXTERNAL FACTORS THAT COULD AFFECT GOALS			
Question	**Yes**	**No**	**Comment**
Does the agency monitor external factors? If not, why not? ,If it does, is the monitoring process likely to identify all the major factors? What have been the findings of this monitoring?			
Have any actions been identified that could reduce or ameliorate the potential impact of external factors?			
Are the agency's strategies for achieving its long-term goals properly reflective of external factors? For example, if changes in information technology make it possible to increase productivity, does the plan discuss how this change will be translated either into more progress in achieving results or into savings through downsizing the workforce?			
Does the agency monitor internal factors? What internal factors within the control of the agency could affect achievement of strategic goals? Are agency culture changes needed?			

(6) HOW PROGRAM EVALUATIONS WERE USED TO ESTABLISH /REVISE STRATEGIC GOALS			
Question	**Yes**	**No**	**Comment**
Were program evaluation findings used in developing the strategic goals or other components of the plan? Were GAO or Inspector General report findings used?			
Are systems in place or planned to produce reliable performance and cost data needed to set goals, evaluate results, and improve performance? For example, does the agency have trend or baseline data that it can use to confidently set goals?			
Is there a schedule for future program evaluations? If not, why not? If yes, does it outline the general scope of the evaluations, key issues to be addressed, and when such evaluations are to occur?			
How will future program evaluation findings be used to improve performance? How will the agency's program evaluations inform congressional decisionmaking?			

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Testimony

Before the Subcommittee on Forests and Forest Health, Committee on Resources, U.S. House of Representatives

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THE RESULTS ACT

Observations on the Forest Service's May 1997 Draft Plan

Barry T. Hill, Associate Director,
Energy, Resources, and Science Issues,
Resources, Community, and Economic
Development Division

GAO/T-RCED-97-223

Madam Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the implementation of the Government Performance and Results Act of 1993 (often referred to as the Results Act or GPRA) within the Department of Agriculture's Forest Service. My testimony today will discuss (1) the need to hold the Forest Service accountable for its performance; (2) the importance of agreed-upon, long-term strategic goals to the successful implementation of the act and the reasons for the current lack of agreement on these goals; and (3) our observations on how the Forest Service can improve critical components, including the strategic goals component, of its draft plan to make it more informative and useful to the Congress and other stakeholders.

To comply with the requirements of the Results Act, Agriculture submitted a draft strategic plan to the Congress in May 1997. Agriculture's draft strategic plan includes a Department-wide strategic overview, as well as 30 component mission area, subagency, and staff office plans, including one for the Forest Service. My comments today are based primarily on our April 29, 1997, report on the agency's decision-making[1] and our July 10, 1997, report on Agriculture's draft strategic plan.[2] In our decision-making report, we conclude that the Results Act, if implemented successfully, will strengthen the Forest Service's accountability for performance and results and improve the efficiency and effectiveness of its decision-making. In our report on Agriculture's draft strategic plan we conclude that, overall, the plan does not fulfill the requirements of the Results Act.

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[1]Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71).

[2]USDA's Strategic Plan (GAO/RCED-97-196R, July 10, 1997).

My comments are limited to the Forest Service's plan and to the agency's management of the 155 forests that make up the National Forest System. They do not address the Forest Service's other programs, including forest research, state and private forestry, and international forestry, which are also covered by the Forest Service's plan.

In summary, Madam Chairman:

-- Our report on the Forest Service's decision-making identifies an organizational culture of indifference toward accountability. The agency's historically decentralized management and recently increased flexibility in fiscal decision-making have not been accompanied by sufficient accountability for expenditures and performance. As a result, inefficiency and waste have cost taxpayers hundreds of millions of dollars, and opportunities for both ecological and economic gains have been lost through indecision and delay. Past efforts by the Forest Service to change its behavior have not been successful. Decision-making within the agency is broken and in need of repair.

-- The Results Act, if implemented successfully, should help break the existing cycle of inefficiency within the Forest Service. The strategic goals in the Forest Service's plan form the starting point and foundation for holding the agency accountable for its performance. Hence, these goals are critical to successfully implementing the act within the agency. However, agreement has not been reached on the strategic goals in the Forest Service's plan. This lack of agreement reflects the controversy, both inside and outside the Forest Service, over (1) which uses to emphasize under the agency's broad multiple-use and sustained-yield mandate and (2) which management approach can best ensure the long-

term sustainability of legislatively mandated uses on the national forests. As a result, the agency cannot begin to derive the benefits anticipated from implementing the act.

-- The consultations with the Congress prescribed by the Results Act provide an opportunity for the Forest Service to better explain (1) its rationale for emphasizing some legislatively mandated uses on the national forests more than other uses, (2) the logic underlying its approach to managing natural resources, and (3) the likely effects of its policy choices on the types, levels, and mixes of uses on its lands. However, the Forest Service's plan is silent on these issues.

BACKGROUND

Laws guiding the management of the 155 national forests require the Forest Service to manage its lands under the principles of multiple use and sustained yield to meet the diverse needs of the American people. Under these principles, the Forest Service is required to manage its lands to provide high levels of six renewable surface uses--outdoor recreation, rangeland, timber, watersheds and water flows, wilderness, and wildlife and fish--to current users while sustaining undiminished the lands' ability to produce these uses for future generations. In addition, the Forest Service's guidance and regulations require the agency to consider nonrenewable subsurface resources--such as oil, gas, and hardrock minerals--in its planning efforts.

Strategic Planning

The Forest Service has prepared two draft plans--one in May 1997 under the Results Act and another in October 1995 to comply

with the requirements of the Forest and Rangeland Renewable Resources Planning Act of 1974 (known as RPA).

The Results Act is intended to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for the programs' performance and to measure results. Specifically, the act requires executive departments and agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports.

As a starting point, the act requires virtually every executive department and agency to develop a strategic plan covering a period that extends at least 5 years beyond the fiscal year in which it is submitted. These strategic plans are to include six critical components: (1) a comprehensive statement of the department's or agency's mission, (2) the department's or agency's long-term general goals and objectives--or strategic goals--for all major functions and operations, (3) a description of the approaches (or strategies) for achieving the goals and the various resources needed, (4) an identification of key factors, external to the department or agency and beyond its control, that could significantly affect its achievement of the strategic goals, (5) a description of the relationship between the long-term strategic goals and annual performance goals, and (6) a description of how program evaluations were used to establish or revise strategic goals and a schedule for future evaluations.[3]

In developing their strategic plans, departments and agencies are to consult with the Congress and to solicit the views of other stakeholders. They are to submit their first strategic plans to the Office of Management and Budget (OMB) and the Congress by

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[3]See Preparation and Submission of Strategic Plans, Office of Management and Budget Circular A-11, Part 2 (Sept. 1995) and Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, May 1997).

September 30, 1997. A letter transmitting a strategic plan to OMB and the Congress should include, among other things, a summary of stakeholders' views that "disagree, in a substantive and germane way, with the programmatic, policy, or management courses of action presented in the plan."

Next, the Results Act requires executive departments and agencies to develop annual performance plans covering each program activity set forth in their budgets. The first annual performance plans, covering fiscal year 1999, are to be provided to the Congress after the President's budget is submitted to the Congress in January or February 1998. An annual performance plan is to contain the department's or agency's annual goals, its measures to gauge its performance toward meeting those goals, and the resources that it will need to meet its goals.

Finally, the Results Act requires executive departments and agencies to prepare annual reports on program performance for the previous fiscal year. The performance reports are to be issued by March 31 each year, with the first (for fiscal year 1999) to be issued by March 31, 2000. In each report, a department or agency is to compare its performance against its goals, summarize the findings of program evaluations completed during the year, and describe the actions needed to address any unmet goals.

RPA requires the Forest Service to, among other things, prepare a long-term strategic plan every 5 years that recommends a level of future outputs and associated costs. This plan is to be transmitted to the Congress along with a presidential statement of policy, which indicates the President's intention to implement the plan through the annual budgeting process. The Congress may accept or revise the statement of policy. Once approved, the statement of policy and the RPA strategic plan serve as a guide to the Forest Service's future planning and as a basis for future budget

proposals. Finally, the agency prepares an annual report assessing its accomplishments and progress in implementing the plan.

Status of the Results Act's Implementation

The department-wide strategic overview--included in Agriculture's draft strategic plan submitted to the Congress in May 1997--contains its overall mission and goals. The overview refers the reader to the 30 component mission area, subagency, and staff office plans for information on the six critical components.

The Forest Service had pilot-tested the Results Act's performance planning and reporting requirements during fiscal years 1994 through 1996. The agency has, over the past several weeks, briefed cognizant congressional committees and subcommittees on the plan. The Forest Service's plan will be included in Agriculture's final plan to be submitted to OMB and the Congress by September 30, 1997.

The strategic goals in the Forest Service's May 1997 plan are based on the strategic goals in a draft RPA strategic plan, that the Forest Service issued for public review and comment in October 1995.[4] In May 1997, the Chief of the Forest Service announced that the plan would be delayed for approximately 10 more months to ensure that it fully reflects the most appropriate paths and priorities to care for the land and provide benefits for the American people. He continued that during this period, the Forest Service will conduct additional analysis related to a number of important issues. As a result, the Congress has not had an opportunity to accept or revise the statement of policy, as required by RPA.

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[4]The Forest Service Program for Forest and Rangeland Resources: A Long-Term Strategic Plan, Draft 1995 RPA Program, U.S. Department of Agriculture, Forest Service, Washington Office (Oct. 16, 1995).

The draft RPA plan included four long-term strategic goals: (1) protecting ecosystems by ensuring their health and diversity while meeting people's needs; (2) restoring deteriorated ecosystems to improve the likelihood that biological diversity, long-term sustainability, and future options are maintained; (3) providing multiple benefits to meet people's needs for uses, values, products, and services within the capabilities of ecosystems; and (4) ensuring organizational effectiveness by creating and maintaining a multidisciplinary and multicultural workforce, respecting expertise and professionalism, and empowering people to carry out the agency's mission while holding them accountable for achieving negotiated objectives. The May 1997 plan combines the first two strategic goals in the draft RPA plan into a single goal of restoring and protecting ecosystems, and it retains the other two draft RPA goals (providing multiple benefits for people within the capabilities of ecosystems and ensuring organizational effectiveness).

Each of the three long-term strategic goals in the May 1997 plan is subdivided into objectives that the Forest Service believes are quantifiable and can be linked to the current budget structure. For example, the strategic goal of restoring and protecting ecosystems has been subdivided into objectives for aquatic, forestland, and rangeland ecosystems; for National Forest System lands and waters; and for threatened, endangered, and sensitive species. Similarly, the strategic goal of providing multiple benefits for people within the capabilities of ecosystems has been subdivided into objectives for specific multiple uses, such as outdoor recreation, wilderness, forage, timber, and mineral resources.

THE FOREST SERVICE HAS NOT GIVEN ADEQUATE ATTENTION TO IMPROVING ITS PERFORMANCE

Madam Chairman, let me briefly discuss why it is important to hold the Forest Service accountable for its performance.

Our report on the Forest Service's decision-making identifies an organizational culture of indifference toward accountability. The agency's decentralized management and recently increased flexibility in shifting funds within a simplified budget structure have not been accompanied by sufficient accountability for expenditures and performance. The result is inefficiency and waste.

For example, according to a November 1995 internal Forest Service report, inefficiencies within the agency's decision-making process cost up to $100 million a year at the individual project level alone. These costs are not borne by the Forest Service, but by the American taxpayer, since the agency accomplishes fewer objectives with its yearly appropriations.

Moreover, as we pointed out in our report and in our April 29, 1997, testimony on the Forest Service's process for revising the Tongass National Forest plan,[5] the increased costs of inefficiency at every decision-making level within the Forest Service should be measured not only in dollars but also in lost ecological and economic opportunities. A deteriorated aquatic or riparian ecosystem cannot be restored and the critical habitat of an endangered species cannot be protected until a decision is made. Similarly, a livestock grazing permit cannot be renewed and a timber sale cannot be offered until the agency reaches a decision.

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[5]Tongass National Forest: Lack of Accountability for Time and Costs Has Delayed Forest Plan Revision (GAO/T-RCED-97-153).

However, the most likely outcomes of the Forest Service's current decision-making process are indecision and delay.

Delays in finalizing forest plans, coupled with delays in finalizing agencywide regulations and reaching individual project decisions, can total a decade or longer. For example, the agency spent almost 10 years revising the Tongass forest plan, and preparing a timber sale usually takes another 3 to 8 years. As a result, those who are economically dependent on the national forests are precluded from forming reasonable expectations about the future availability of the forests' uses. In addition, the forests' health and productivity over time--whether measured by the diversity of species, the availability of commodities, or any other indicators of performance--are affected by the missed opportunities for improvement.

Past efforts by the Forest Service to improve its performance have been stymied by the organization's highly decentralized management. At every level, managers have considerable autonomy and discretion for interpreting and applying the agency's policies and directions. For example, in response to congressional concerns about the Forest Service's inability to deliver what is expected or promised, the Chief, in the fall of 1991, formed an agencywide task force to review the issue of accountability. The task force's 1994 report set forth a process and recommended changes to strengthen accountability. However, the task force's recommendations have never been implemented throughout the agency.

AGREEMENT HAS NOT BEEN REACHED ON THE FOREST SERVICE'S STRATEGIC GOALS

The Results Act, if implemented successfully, should help break the existing cycle of inefficiency within the Forest Service, strengthen the agency's accountability for performance and results,

and improve the efficiency and effectiveness of its decision-making. The strategic goals in the Forest Service's plan form the starting point and foundation for holding the agency accountable for its performance. Hence, these goals are critical to successfully implementing the act within the agency. However, agreement has not been reached on the strategic goals in the Forest Service's plan, and the agency cannot begin to derive the benefits anticipated from implementing the act.

The lack of agreement on the Forest Service's strategic goals reflects the controversy, both inside and outside the agency, over (1) which uses the agency is to emphasize and (2) which management approach can best ensure the long-term sustainability of legislatively mandated uses on the national forests. The strategic goals in the Forest Service's plan reflect (1) an ongoing shift in emphasis under the agency's broad multiple-use and sustained-yield mandate from consumption (primarily producing timber) to conservation (primarily sustaining wildlife and fish) and (2) a significant change in the way the Forest Service considers and manages natural resources (from managing primarily along administrative boundaries to analyzing environmental issues and concerns along the boundaries of natural systems, such as aquatic, forestland, and rangeland ecosystems and the habitats of threatened, endangered, and sensitive species). The increasing emphasis on conservation and ecosystem management conflicts with the agency's older emphasis on producing timber and other commodities and will likely constrain future uses of the national forests, such as recreation.

The Forest Service has been aware for some time of the controversy surrounding its increasing emphasis on conservation and ecosystem management and the likely effects of these changes in its management on the types, levels, and mixes of legislatively mandated uses on the national forests. These issues surfaced

immediately after the Forest Service conducted a briefing in January 1996 on its October 1995 draft RPA plan (which includes the same strategic goals as the agency's May 1997 plan). The day after the briefing, the Chairman of the Subcommittee on National Parks, Forests and Lands, House Committee on Resources, and the Chairman of the Subcommittee on Forests and Public Land Management, Senate Committee on Energy and Natural Resources, wrote to the Secretary of Agriculture stating, among other things, that (1) the justification for the plan was "woefully inadequate," (2) the plan represented an abandonment of the agency's multiple use and sustained yield principles, (3) the Chairmen would not endorse the goals contained in the draft plan, and (4) the final plan would require substantial changes to address their concerns.

THE FOREST SERVICE'S PLAN DOES NOT ADEQUATELY ADDRESS MANY CRITICAL COMPONENTS

We recognize that Agriculture's final plan--which will include the Forest Service's plan--is not due to the Congress and OMB until September 30, 1997, and that the Results Act anticipates that the final plan will be continually refined as future planning cycles occur. We also recognize that a strategic plan is dynamic and that Forest Service, Agriculture, OMB, and congressional staff are continuing to revise the draft. However, given both the importance of strategic goals to the successful implementation of the act and the disagreement over the goals in the Forest Service's plan, we believe that the agency should have taken the opportunity presented by the act to consult with the Congress to better articulate its positions on controversial issues. Specifically, the Forest Service should have set forth (1) its rationale for emphasizing some legislatively mandated uses on the national forests more than other uses, (2) the logic underlying its reliance on ecosystem management, and (3) the likely effects of its policy choices on the types, levels, and mixes of multiple uses on its lands.

The Forest Service seems to recognize the importance of reaching agreement on its strategic goals to the successful implementation of the act. For example, as the agency was drafting its plan, the Chief commented on a draft of our decision-making report, stating that (1) clarifying the agency's mission was one of the Forest Service's "highest priorities," (2) the agency was taking actions to clarify its long-term strategic goals, and (3) the Forest Service intends to use the Results Act to articulate these "mission principles." However, the May 1997 plan does less than the draft RPA plan to articulate the rationale for the agency's strategic goals and management approach. Furthermore, the May 1997 plan is silent on the likely effects of the goals and management approach on the legislatively mandated multiple uses on the national forests.

In addition, we believe that the Forest Service's May 1997 plan falls short of adequately addressing critical components required by the Results Act, especially in identifying key external factors that could affect achievement of the plan's strategic goals and objectives.

A Comprehensive Agency Mission Statement and Agencywide Long-Term Strategic Goals

The May 1997 plan captures the Forest Service's broad multiple-use and sustained-yield mandate, stating that the agency's mission is to "achieve quality land management under sustainable multiple use management concepts to meet the diverse needs of the land and people." This mission allows the agency to be all things to all people. However, the Forest Service is increasingly unable to avoid, resolve, or mitigate conflicts among competing uses on national forests by separating them among areas and over time. As a result, the agency must make hard policy choices concerning which

of the competing multiple uses to emphasize and how to resolve conflicts or make choices among these uses on its lands.

The multiple-use laws which guide the management of the nation's forests provide little guidance for the Forest Service in resolving conflicts among competing uses. Often, the emphasis that the agency gives to particular uses responds to factors supplementing these acts, such as requirements in planning and environmental laws and their judicial interpretations. For example, section 7 of the Endangered Species Act represents a congressional design to give greater priority to the protection of endangered and threatened species than to the current primary missions of the Forest Service and other federal agencies. When proposing a project, the Forest Service bears the burden of demonstrating that its actions will not likely jeopardize listed species.

The strategic goals included in the plan reflect hard policy choices that the Forest Service has made among competing uses. For example, in his April 21, 1997, written comments on a draft of our decision-making report, the Chief of the Forest Service stated that: "Simply stated, the Forest Service believes that without first securing the health, diversity, and productivity of the land, we [the agency] simply cannot meet the needs of people." Hence, the goals are controversial. Had the Forest Service not only made the hard choices but also articulated its rationale for making them, it would have better equipped the Congress to understand its decisions.

An Identification of Key External Factors

The May 1997 plan does not discuss key external factors that could affect the achievement of the plan's strategic goals and objectives.

OMB Circular A-11 instructs that a department's or agency's strategic plan briefly describe each key external factor that could affect the achievement of the plan's strategic goals and objectives, indicate the factor's link with a particular goal or goals, and describe how the achievement of a goal could be affected by the factor. Early in our review of the Forest Service's decision-making, agency officials voiced concern about the many external factors that affect the outcomes of the agency's decisions and can prevent the Forest Service from achieving its objectives.[5] These factors include changes in natural conditions and in funding, as well as new information and events, such as the listing of a species as endangered or threatened. Because these factors can have such an important effect on its accomplishments and are largely beyond its ability to control, the Forest Service has proposed removing from its forest plans measurable objectives for goods and services, such as quantities of wood for lumber and forage for livestock and numbers of opportunities for recreation. However, the Forest Service discussed none of these external factors in its draft plan.

Forest Service officials identified differences in the requirements of numerous planning and environmental laws, enacted primarily during the 1960s and 1970s, and differing judicial interpretations of the same statutory requirements that make it difficult for the agency to predict when any given decision can be considered final and can be implemented. This uncertainty reduces the agency's ability to achieve its objectives. In addition, as we emphasized in our April 29, 1997, testimony on revising the Tongass forest plan, disagreements with federal regulatory agencies over the best approaches to achieving environmental objectives and implementing laws and regulations have also delayed forests plans

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[5]Forest Service: Issues Relating to Its Decisionmaking Process (GAO/T-RCED-96-66, Jan. 25, 1996) and Forest Service: Issues Related to Managing National Forests for Multiple Uses (GAO/T-RCED-96-111, Mar. 26, 1996).

and projects. However, the Forest Service's plan does not discuss these external factors, even though the agency suggested options for changing the current statutory framework in 1995.

A Description of the Relationship Between the Long-Term Strategic Goals and Annual Performance Goals

The May 1997 plan does not indicate how the Forest Service intends to measure progress toward achieving its strategic goals. For example, it does not specify how the agency proposes to measure (1) the impact of ecosystem management on the health of forests and degraded rangelands and (2) the effects of its policy choices on the types, levels, and mixes of uses on its lands. Instead of discussing the relationship between strategic and performance goals in the plan, as instructed by OMB Circular A-11, the Forest Service has deferred this discussion for Agriculture's fiscal year 1999 annual performance plan that the Department is to submit to the Congress in February 1998.

According to the Chief of the Forest Service, the agency's performance measures will result in "tangible social and ecological benefits." However, the Forest Service has had difficulty establishing performance measures and annual target levels to assess its progress. In its June 1990 Critique of Land Management Planning,[7] the Forest Service states that "meaningful production goals for recreation, water, wildlife, and fisheries have yet to be established, even in theory, and reported accomplishments would be nearly impossible to evaluate objectively or even verify independently." An April 22, 1997, draft of the Forest Service's plan stated that indicators of performance would have to be used to measure progress toward achieving some objectives until outcome measures can be fully developed.

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[7]Critique of Land Management Planning, Vol.2, National Forest Planning: Searching for a Common Vision, Forest Service (FS-453, June 1990).

A Description of How Program Evaluations Will Be Used

Our report on the Forest Service's decision-making identifies problems in the agency's data and information systems dating back 17 years. These problems include (1) not adequately monitoring the effects of past management decisions to more accurately estimate the effects of similar future decisions and to modify decisions when new information is uncovered or when preexisting monitoring thresholds are crossed and (2) not maintaining comparable environmental and socioeconomic data that are useful and easily accessible. We and others have recommended steps that the Forest Service could take to improve its data and systems, but it has deferred action on these recommendations.

OMB Circular A-11 instructs that a department's or agency's strategic plan include a schedule for future program evaluations. However, the Forest Service's draft plan defers action, proposing to take approximately 2 years to develop "a clear and shared understanding of how to assess results at the corporate level and select the best methodology." This is consistent with the agency's tendency to study and restudy issues without reaching closure. Without these evaluations, the agency will not be able to produce the reliable performance and cost data needed to set goals, evaluate results, and improve performance, and the Congress will lack a potentially critical source of information to ensure the validity and reasonableness of the agency's goals and strategies, as well as to identify factors affecting performance.

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In conclusion, Madam Chairman, the inefficiencies and ineffectiveness of the Forest Service's decision-making, combined with the agency's reluctance to change, give urgency to implementing the Results Act. The agency's plan should provide the

starting point for establishing the measures and annual target levels to be used in assessing the Forest Service's progress toward achieving strategic goals. However, the draft plan's silence on the Forest Service's rationale for its strategic goals, its management approach, and the likely effects of its policy choices on multiple uses on the national forests has contributed to a stalemate on the agency's strategic goals which threatens successful implementation of this landmark legislation.

Madam Chairman, this concludes my prepared statement. We will be pleased to respond to any questions that you or Members of the Subcommittee may have.

(141084)

DON YOUNG, CHAIRMAN

U.S. House of Representatives
Committee on Resources
Washington, DC 20515

August 6, 1997

James R. Lyons
Under Secretary
Department of Agriculture
1400 Independence Avenue
Room 2220A
Whitten Building
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Dear Under Secretary Lyons:

Thank you for your testimony at our most recent Subcommittee on Forests and Forest Health Oversight Hearing on the Forest Service Strategic Plan under the Government Performance and Results Act (GPRA) on July 31, 1997. I also appreciated Mr. Pandolfi's and your candid replies to our questions. As I mentioned at the hearing, the Subcommittee takes seriously its responsibility to work with you on the development of the Forest Service's GPRA strategic plan. Therefore, I look forward to seeing the next draft, which you indicated would provide more detail on a number of the issues we addressed during the hearing.

As I promised during the hearing, I am submitting further questions for you to respond to. These include the original six questions which I asked in your letter of invitation, for which I would like a more detailed response. Your written answers will assist the Subcommittee in furthering our understanding of the Forest Service's strategic plan and, I hope, serve as a useful tool in the completion of your initial GPRA plan. I would appreciate receiving your reply no later than August 12, 1997. This letter and your reply will be made part of the official record.

You were asked to respond to the following six questions in the letter of invitation sent to Secretary Glickman. Because these questions were not fully answered in your testimony, please explain in more detail:

1. Why does the Forest Service draft plan substantively address only the first two of the six required components for strategic plans?
   A. Even for the first two components, the plan should provide more detail.
      (1) The plan includes a mission statement for the Forest Service (the first component required by GPRA): *"achieve quality land management under sustainable multiple use management concepts to meet the diverse needs of the land and people.* However, the OMB guidance calls for "a comprehensive mission statement. Would you call the mission statement on page 9 of the draft plan "comprehensive?"

(2) The plan includes a general description of goals and objectives (the second required component) but it does not explain adequately how these will be achieved. What measures and strategies can be provided to identify how and when the goals and objectives will be achieved?

B. The remaining components are mentioned under headings in the plan (for example, "linkage of general goals to annual performance plans," and "program evaluation," but the plan lacks adequate specificity to meet the requirements of the GPRA and to make the plan a useful tool for the agency, Congress, or the public. What additional detail can we expect to see in the next draft of the strategic plan?

C. The strategic plan is supposed to identify external factors that affect accomplishment of goals, as explained in the OMB guidance: *"The strategic plan should briefly describe each key external factor, indicate its link with a particular goal(s), and describe how achievement of a goal could be affected by the factor."* What external factors will the agency include in its next draft, for each of the three general goals?

2. The mission and goals described in the draft plan should be clearly stated and consistent with the agency's statutory authorities. Please explain how the mission and each of the three overall goals relate to the Forest Service's statutory requirements, including the Organic Act of 1897, the Multiple-Use and Sustained-Yield Act of 1960, and the Resources Planning Act of 1974 (as amended).

A. For example, how do the goals address the agency's requirement to provide "a high-level annual or regular periodic output of the various renewable resources of the national forests" as required by the Multiple-Use Sustained-Yield Act of 1960?

B. Where the legal framework provides conflicting direction, how will the Forest Service determine which laws take precedence, and will the agency ever provide Congress with its recommendations for addressing those conflicts, as promised years ago by Secretary Glickman?

C. Can you commit to including a discussion of priorities in the agency's next draft plan?

3. What strategies are proposed for achieving the mission and goals, and will these be described in the agency's next draft? Specifically, what strategies will the Forest Service use to achieve each of the three overall goals and the objectives described under each goal?

4. What resources are needed to accomplish each goal? According to the OMB guidance, the resources may include: *"operational processes; skills and technologies; and human, capital, information, and other resources."* (OMB Circular No. A-11 Part 2, section 210.8) Please identify separately the resources needed for each of the three major goals. Please explain how this will be addressed in the Forest Service's next draft plan?

5. The draft plan does not include adequate, quantifiable performance measures, as required by the GPRA and the OMB guidance. Instead, the draft plan says that specific accomplishments will be included in the annual performance plan, and that the annual performance plan will discuss how the annual accomplishments will support achievement of the general strategic goals. At the very least, OMB's guidance requires that strategic

plans (not the annual plan) include:

- "...the type, nature and scope of the performance goals to be included in a performance plan,
- "...the relation between the [annual] performance goals and the [strategic] general goals and objectives, and
- "...the relevance and use of performance goals in helping determine the achievement of general goals and objectives."

6. I believe the Senate Agriculture Committee has also raised the concern addressed in question #5. How will the Forest Service correct this shortfall in the draft plan it submits to OMB in August?

7. As you know, the GAO and others have documented a number of serious problems with the Forest Service's accounting, financial management, decisionmaking and accountability procedures. Aside from identifying "organizational effectiveness" as an overall goal, specifically how does the Forest Service intend to improve its decision-making process and its accounting and financial problems?

8. While the Forest Service works to improve its data and information management systems, what can the agency do to better articulate its goals and objectives in measurable terms so that its improvements over the next few years can be demonstrated?

In addition, the Subcommittee on Forests and Forest Health requests your answers to the following questions regarding the Forest Service's draft GPRA strategic plan.

9. The GPRA requires stated long-term goals and objectives for all major agency functions and operations. How will the goals in the draft strategic plan reflect the priorities and objectives of each of the Forest Service's major program areas, including the National Forest System, State and Private Forestry, Research, and International Forestry programs?

10. In an April draft of the strategic plan, the Forest Service included measurable or quantifiable indicators for each objective. The current version of the draft is lacking those indicators. Why?

11. According to the draft 1995 RPA program, the Forest Service will offer 0.9 billion cubic feet annually through 2000, and will slowly increase production to 1.1 billion cubic feet by the year 2040. The long term annual productivity on the lands available for timber management is 2.2 billion cubic feet. However, in an April draft of the Forest Service strategic plan, it says the Forest Service will offer only 0.7 billion cubic feet per year through 2000. If your plan is based on the RPA, why was the volume reduced in the April draft GPRA plan, and why was it removed altogether from the May draft?

12. Has the Forest Service worked with the US Fish and Wildlife Service, the EPA, BLM, or other regulatory and land management agencies to address their role in helping or their impact on, the Forest Service's achievements of its goals and objectives? Please explain.

13. Explain how the Forest Service has coordinated with regulatory agencies to minimize duplication of activities?

14. The GPRA requires consultation with Congress and stakeholders. What actions has the Forest Service undertaken to specifically comply with the GPRA stakeholder consultation requirement? (Please note, reliance upon the public comments for the 1995 RPA draft is not satisfactory. While the Subcommittee understands the Forest Service drew heavily from the RPA draft document to write its GPRA draft, the RPA and GPRA have significant differences in objectives and requirements. Therefore, the use of public comments on the 1995 RPA draft is unacceptable and does not meet the stakeholder requirements as stated in the GPRA.)

15. The draft indicates many forests are stagnating and are more susceptible to insect and diseases. When will the Forest Service launch an aggressive project to thin and regenerate the stagnating stands? Please explain in detail what methods the Forest Service intends to use to restore and regenerate the stagnating stands. If the Forest Service will not launch such an initiative please explain why such a decision was made and what will be done to address the problem.

16. The Forest Service draft plan says that the softwood saw timber supply is a concern. Since the national forests hold half of the available softwood sawtimber in the United States, it appears the Forest Service is the single agency or landowner best equipped to address this concern, especially in light of the fact the Forest Service's own numbers show it could sustainably harvest 7.5 billion board feet annually. What is the Forest Service planning to do to address this concern?

17. The draft indicates that the Forest Service plans to restore between five and ten percent of lands identified as needing restoration over the next five years. Chief Dombeck has testified that 40 million acres are at significant risk for catastrophic fire. Why is the Forest Service proposing to treat only one to two percent per year? How will the agency solve its long-term forest health problem if it only intends to treat one to two percent of at risk lands each year?

18. The draft explains many houses are built in or near forests with histories of drought, insect, and disease outbreaks, and wildfires. Prescribed fires and other treatments are needed to eliminate the opportunity for catastrophic fires. How do you intend to safely introduce prescribed fire in these areas without risking life and property? When is it appropriate ans acceptable to remove fuels by mechanical methods before introducing fire?

19. There is some concern about the selection process for managers of national forests with significant investment in developed recreational facilities. It has been suggested that individuals are being selected who do not have adequate experience in dealing with these special use permitted operations or recreation in general.
    A. Does the Forest Service have a plan to require that Forest Supervisors and District Rangers must have experience in managing special use permits or recreational activities which match the primary use of the Forest?For example: on forests with a particular type of high recreation use, does the agency require applicants for the

supervisory jobs to have some experience in managing that type of recreational use?

B. Also, does the agency consult with a forest's special use permittees prior to the selection of a Forest Supervisor for recommendations on the qualities and experience an individual should have to qualify the job?

Again, thank you for testifying before the Subcommittee on Forests and Forest Health and for your prompt response to the enclosed questions. The Subcommittee and I look forward to working with you and the Forest Service as you complete your strategic plan under the GPRA.

Sincerely,

Helen Chenoweth
Chairman
Subcommittee on Forests and Forest Health

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