

How Is the Legislation To Be Implemented To Measure and Reward Performance for FY 2005 and Beyond?

For FY 2005 and beyond, section 16(d)(2) of the Act provides that FNS must establish the performance measures through regulation. This rule proposes the performance measures for FY 2005 and beyond.

Does the Legislation Require FNS To Consult With Organizations?

Under Section 16(d)(2)(A)(iii) FNS is required to solicit ideas from State agencies and organizations that represent States' interests prior to issuing the proposed rule. In June 2002, FNS held two meetings, one in Alexandria, Virginia, and one in Dallas, Texas, with representatives from all the State agencies to discuss the FSRIA and to solicit their ideas for implementation. FNS took the opportunity at that time to solicit ideas from State agency representatives specifically on the performance measures. On July 2, 2002, FNS met with representatives from State agencies, APHSA, NCSL and NGA, and on July 11, 2002, FNS officials met with representatives from CBPP and FRAC specifically to solicit ideas on possible performance measures for the high performance bonuses. FNS officials also solicited ideas from State agencies through on-going discussions and through the September 30, 2002 guidance.

Were Methods for Structuring Bonuses Discussed at These Meetings?

During these discussions, the participants also put forth ideas on how to structure the bonuses. For example, some of the issues explored included but were not limited to:

- How many States should FNS reward? Should FNS reward more States with less money or fewer States with more money?
- How many measures should FNS propose? Should FNS propose several individual measures? Or, should it propose a few measures that are made up of several elements that are then indexed or weighted?
- Should FNS measure improvements or absolutes? Or, both?
- What percentage of the \$48 million should go towards payment accuracy versus other measures?
- How does FNS apportion the money? By size of State? By caseload or dollars issued?
- Should FNS allow States to choose whether or not to compete for the bonuses? Or, should it be mandatory?

What Were Some of the Possible Performance Measures Discussed During These Meetings?

During the meetings, the participants discussed many ideas on possible performance measures. The performance measures discussed included but were not limited to: per case State administrative costs, recipient claims establishment, payment accuracy, general customer service, application processing timeliness, increasing family self-sufficiency, participation levels, participation rates, nutrition education, fair hearings, and creativity/innovations.

What Were Some of the Criteria Participants in These Meetings Used To Evaluate the Possible Performance Measures?

In examining the possible measures, participants used several criteria to determine which ones to pursue and which ones to set aside. Participants felt very strongly that the measures should be ones that the States could influence. For example, the number of individuals participating in the FSP relates more to the size of the State and condition of the economy than to State agency actions. However, the percentage of eligible citizens actually participating in the Program can be influenced by State agency practices such as outreach, accessibility of offices, the length of the application form, and the speed of application processing. In addition, two key considerations were the value of the performance reflected by the measure, and the availability of objective data for a given measure. In some areas, FNS has considerable data but participants did not believe that these data measured core areas of FSP performance. For example, FNS has data on recipient claims. Participants expressed concern, however, about rewarding States with high error rates and that have a much larger pool of claims to establish and collect. In addition, participants emphasized that State agencies were already financially rewarded in that they retain a certain percentage of all the claims they collect.

FNS has data on the amount of States' administrative costs. Participants expressed concern, however, about rewarding States with low administrative costs that may have less effective programs. In other instances, an activity may advance a key part of the FSP mission but data is not available or not sufficient to gauge success. For example, nutrition education promotes the basic purpose of the FSP, which is to improve the nutrient intake of low-income persons. While food intake data

is relevant to measure nutrient intake, it is not sufficient because it is not collected annually and the sample sizes are not sufficient to develop statistically adequate estimates of nutritional intake at the State level. The measures that FNS decided to propose following the conclusion of the meetings, while not perfect, met the basic criteria mentioned above.

Were There Overall Themes That Emerged During the Discussions?

During the discussions mentioned above, as well as subsequent in-house discussions, the following overall themes emerged concerning the performance measures:

- Performance measures should be based on: (1) Activities that FNS and State agencies value most; (2) outcomes that State agencies could influence; (3) available data, even if imperfect, so as not to impose additional collection and reporting requirements on State agencies.
- The bonuses should be structured as simply as possible; several individual performance measures are preferable over composite measures that would include several categories that would be "weighted."
- FNS should award more States with smaller bonuses, since recognition may be as important as money.
- FNS should make awards proportional to State's caseloads to give all States sufficient incentive to compete for these bonuses.
- FNS should emphasize rewarding excellence, but also award improvement. This will give all States an opportunity to receive an award and motivate more States to try.
- Awards should reflect a balancing of the goals of program integrity and program access. Integrity continues to be one of FNS' highest priorities.
- FNS should measure all States in all areas, as opposed to having them choose which bonuses to compete for, because the data are available, are public information, and will motivate States to improve.

What Performance Measures and Bonus Structure Has FNS Decided To Propose for FY 2005 and Beyond?

While there are many measures, many ways to divide the money, and many ways to structure the bonuses, FNS believes the following proposed scheme reflects the values of the FSP, strikes a good balance between payment accuracy and access, and recognizes both improvements and excellence.