

Memoranda 97-02 (Funding Information Systems Investments)

October 25, 1996

M-97-02

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Franklin D. Raines
Director

SUBJECT: Funding Information Systems Investments

The Information Technology Management Reform Act (ITMRA) of 1995 (40 USC 1401 et. seq.) directs the Office of Management and Budget to establish clear and concise direction regarding investments in major information systems, and to enforce that direction through the budget process. Accordingly, the decision criteria set out below are established with respect to the evaluation of major information system investments proposed for funding in the FY 1998 President's budget.

The most effective long-term investment strategy is guided by a multiyear plan. The plan is a roadmap for getting from "where we are today. to "where we want to be" -- achieving the strategic mission goals of the organization in the framework of the Government Performance and Results Act (GPRA). Thus the first four decision criteria relate specifically to capital planning. The fifth criterion establishes the critical link between planning and implementation -- information architecture -- which aligns technology with mission goals. Under the ITMRA, the Chief Information Officer is responsible for that architecture. The last three criteria establish risk management principles to assure a high level of confidence that the proposed investment will succeed.

Policy

Investments in major information systems proposed for funding in the President's budget should:

- 1. support core/priority mission functions that need to be performed by the Federal government;**
2. be undertaken by the requesting agency because no alternative private sector or governmental source can efficiently support the function;

3. support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology;

4. demonstrate a projected return on the investment that is clearly equal to or better than alternative uses of available public resources. Return may include: improved mission performance in accordance with GPRA measures; reduced cost; increased quality, speed, or flexibility; and increased customer and employee satisfaction. Return should be adjusted for such risk factors as the project's technical complexity, the agency's management capacity, the likelihood of cost overruns, and the consequences of under- or non-performance

5. be consistent with Federal, agency, and bureau information architectures which: integrate agency work processes and information flows with technology to achieve the agency's strategic goals; reflect the agency's technology vision and year 2000 compliance plan; and specify standards that enable information exchange and resource sharing, while retaining flexibility in the choice of suppliers and in the design of local work processes;

6. reduce risk by: avoiding or isolating custom-designed components to minimize the potential adverse consequences on the overall project; using fully tested pilots, simulations, or prototype implementations before going to production; establishing clear measures and accountability for project progress; and, securing substantial involvement and buy-in throughout the project from the program officials who will use the system;

7. be implemented in phased, successive chunks as narrow in scope and brief in duration as practicable, each of which solves a specific part of an overall mission problem and delivers a measurable net benefit independent of future chunks; and,

8. employ an acquisition strategy that appropriately allocates risk between government and contractor, effectively uses competition, ties contract payments to accomplishments, and takes maximum advantage of commercial technology.

As a general presumption, OMB will recommend new or continued funding only for those major system investments that satisfy these criteria. Funding for those systems will be recommended on a phased basis. (For more information on phases, see the discussion of "economically and programmatically separable" modules, in OMB Circular A11, Part 3, "Planning, Budgeting and Acquisition of Fixed Assets," July 1996.)

A "major information system" is a system that requires special management attention because of its importance to an agency mission; its high development operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property, or other resources. Large

infrastructure investments (e.g., major purchases of personal computers or local area network improvements) should also be evaluated against these criteria.

OMB recognizes that many agencies are in the middle of ongoing projects initiated prior to enactment of the ITMRA, and may not be able immediately to satisfy the criteria. For those systems that do not satisfy the criteria, OMB will consider requests to use FY 1997 and 1998 funds to support the redesign of work processes, the evaluation of investment alternatives, the development of information architectures, and the use and evaluation of prototypes.

Action Requested

The policies in this memorandum apply to all agencies. The 28 major agencies listed in Section 3 of Executive Order No. 13011, "Federal Information Technology," should provide, by November 12, 1996, a statement listing the major information systems investments for which new or continued funding is requested in the agency's FY 1998 budget, and an evaluation of the extent to which each investment satisfies the decision criteria. For national security systems as defined in Section 10 of the Executive order, only the list need be provided. OMB will work with the agencies to ensure that national security systems satisfy the criteria to the extent practicable.

Because OMB considers this information essential to agencies' long-term success, OMB will use this information both in preparing the FY 1998 President's budget and, in conjunction with cost, schedule, and performance data, as apportionments are made. Agencies are encouraged to work with their OMB representative to arrive at a mutually satisfactory process, format, and timetable for providing the requested information.