

**SECTION 31—COMPLIANCE WITH ADMINISTRATION POLICIES AND OTHER
GENERAL REQUIREMENTS**

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31.1 Basic policies and assumptions

(a) What should be the basis for my proposals?

Your proposals should result from a comprehensive system that integrates analysis, planning, evaluation, and budgeting. They should reflect:

- The policies of the President, including full implementation of the President's Management Agenda.
- The President's priorities within responsible spending levels.
- Budget and performance integration management initiatives (including effectiveness ratings for those programs covered by the Program Assessment Rating Tool (PART)).
- The agency recommendations regarding the scope, content, performance, and quality of programs and activities proposed to meet the agency's missions, goals, and objectives.

In developing the estimates, consider the effect that demographic, economic, or other changes can have on program levels beyond the budget year. Be prepared to discuss the impact that program levels and changes in methods of program delivery, including advances in technology, will have on program operations and administration. Also consider the appropriate roles for Federal, State, and local governments, as well as the private sector, in conducting the covered activities.

(b) What is the scope of the policy estimates?

(1) Presidential policy estimates for CY and BY.

(i) Regular annual estimates. Your regular annual estimates must reflect all requirements anticipated at the time of budget submission, and should cover:

- Continuing activities, including those that must be reauthorized for the budget year;

- Authorized activities that are proposed for the budget year;
- Amounts necessary to meet specific financial liabilities imposed by law; and
- Decreases for activities proposed for termination.

(ii) *Legislative proposals.* If you and your OMB representative determine that proposals for new legislation require a further budget request or result in a change in revenues or outlays, you must separately identify and provide a tentative forecast of the estimate in your submission. These proposals must be consistent with the items that appear in your legislative program, as required by [OMB Circular No. A-19](#).

(iii) *Supplemental proposals.* You should make every effort to conduct your programs within the amounts appropriated for the current year and to postpone actions that require supplemental appropriations. OMB will only consider supplemental requests that meet the criteria provided in section [110](#). Supplemental requests that are known at the time the budget is prepared and approved are normally transmitted to Congress with the budget, rather than later as separate transmittals. However, each case will be decided separately after OMB receives the agency's initial submission (see section [51.11](#)). OMB representatives will tell you which supplementals will be transmitted with the budget so you can submit the necessary information.

(2) *Presidential policy outyear estimates.*

Policy estimates for the nine years following the budget year (BY+1 through BY+9) enable an analysis of the long-term consequences of proposed program or tax policy initiatives. (Baseline estimates, described in section [80](#), provide a basis for assessing alternatives, including Presidential policy estimates.) OMB may centrally calculate outyear policy estimates for discretionary programs with some exceptions. In this case, you may be asked to identify and justify any deviations from these estimates, by program or activity, that you believe are warranted.

When you develop outyear policy estimates, they should be consistent with the general policies and information required for the budget year and indicate the degree to which specific policy decisions made for the budget year or any subsequent year affect budget authority, outlay, and receipt outyear levels. Take into consideration changes in spending trends, economic assumptions, and other actions or events when you prepare estimates of budget authority, outlays, and receipts for BY+1 through BY+9.

(c) *What economic assumptions should I use when I develop estimates?*

All budget materials, including those for the outyear policy and baseline estimates, must be consistent with the economic assumptions provided by OMB. The specific guidance below applies to outyear policy estimates.

OMB policy permits *consideration* of price changes for goods and services as a factor in developing estimates. However, this does not mean that you should automatically include an allowance for the full rate of anticipated inflation in your request.

For *mandatory programs*, reflect the full inflation rate where such an allowance is required by law and there has been no decision to propose less than required. For *discretionary programs*, you may include an allowance for less than the full rate of anticipated inflation or even no allowance for inflation. In many cases, you must make trade-offs between budgeting increases for inflation versus other increases for programmatic purposes. Unless OMB determines otherwise, you must prepare your budget requests to OMB within the budget planning guidance levels provided to you, regardless of the effect of inflation.

Economic assumptions may be revised shortly before final budget decisions are made. These revisions will not usually result in changes to the previous budget guidance on your agency totals.

Reflect Federal pay raises in your estimates of personnel compensation and benefits (see section [85](#)).

You must identify the anticipated price level changes reflected in the financial resources required to finance each program level in your justification materials (see section [51.3](#)).

(d) *How do I develop unit cost information?*

Unit cost is used to make “apples to apples” comparisons between federal programs that have similar goals. Unit cost should reflect the average cost of the program producing a specific result. The unit cost should reflect the full cost of producing a result including overhead and other indirect costs. Where possible, you should separate costs into fixed and variable components so that marginal costs can be derived in addition to unit costs. Such information will also provide a credible base for projections of future costs and the need for budgetary resources. Upon request, you must provide both unit cost and marginal cost information to OMB.

31.2 Advance appropriations.

Do not request advance appropriations if the only purpose is to shift budget authority for a program that would normally be provided in the budget year. For example, if you would normally request budget authority in the budget year to cover a cohort of obligations for a grant program, even though some of the obligations will not be incurred until the following fiscal year, you may not request an advance appropriation to cover the obligations expected to be incurred in the following fiscal year.

31.3 Agency administrative actions.

OMB Memorandum No. [M-05-13](#), Budget Discipline for Agency Administrative Actions, requires you to identify offsets when proposing administrative actions such as regulations, demonstrations, program notices, guidance to States or contractors, or other similar actions not required by law that would increase mandatory spending. In addition, you are required to include with your budget submission a list of all planned or anticipated administrative actions that would increase mandatory spending (see section [25.5](#).)

31.4 Environmental management.

The OMB/CEQ joint letter of April 1, 2002 applauds those agencies developing and implementing effective environmental management systems. Federal agencies should develop and implement environmental management systems in order to integrate environmental accountability into agency day-to-day decision-making and long-term planning processes across all agency missions, activities, and functions. These efforts must be funded within guidance totals. They should include, but not be limited to, the following components: initial self-assessments, development of performance measures, policy, and establishment of management systems.

31.5 Equal opportunity.

Your estimates should reflect the Administration's commitment to programs designed to ensure or promote equal opportunity regardless of race, color, religion, national origin, sex, disability, or age. These civil rights activities include the following: implementation of statutes or regulations requiring fair housing; nondiscrimination in federally assisted or conducted programs; equal credit opportunity; full voting rights; civil and Constitutional rights; equal employment opportunity (including nondiscrimination by Federal agencies); and efforts to increase Federal contracting and subcontracting opportunities for minorities, women, and disadvantaged entrepreneurs.

31.6 Full funding.

Requests for acquisition of capital assets must propose full funding to cover the full costs of the project or a useful segment of the project, consistent with the policy stated in section [300](#). Specifically, requests for procurement programs must provide for full funding of the entire cost. In addition, requests for construction programs must provide for full funding of the complete cost of construction. You should not submit estimates for construction funds for major construction projects unless planning will reach a point by the end of the current year that will ensure that a contract for construction could be awarded during the budget year. Remember that Administration policy and the Antideficiency Act require you to have sufficient budget authority or other budgetary resources to cover the full amount of unconditional obligations under any contract.

For policies related to leases of capital assets and lease-purchases, see section [33.1](#) and [Appendix B](#). For guidance on budget submissions for capital asset acquisitions, see Part 7 (section [300](#)) of this Circular. For guidance on principles and techniques of planning, budgeting, procurement, and management of capital assets, see the supplement to this Circular, the [Capital Programming Guide](#).

31.7 Government perquisites.

Your estimates should reflect Administration policy to limit the use of Government vehicles, Government aircraft, first class air travel, executive dining facilities, and conferences, in accordance with Presidential memoranda, dated February 10, 1993.

31.8 MAX electronic network.

For the purpose of cost distribution specified in [OMB Circular No. A-130](#), OMB is the user of MAX. Accordingly, you are not required to pay for use of the MAX electronic network required by this Circular.

31.9 Multi-year appropriations.

Consider whether it is appropriate to request appropriations with multi-year availability, particularly for buildings, equipment, and other types of fixed capital assets, including major ADP and telecommunications systems, with long acquisition cycles. Where multi-year appropriations requests are appropriate, you should match the period of availability to the expected length of the acquisition cycle.

31.10 Management improvement initiatives and policies.

Your estimates should reflect your efforts and planned action to strengthen management and improve program performance. Guidance on specific areas is provided below.

- *Capital planning and investment control.* Your estimates should reflect the Administration's commitment to information technology (IT) investments that directly support agency strategic missions; employ an integrated planning, budgeting, and procurement process; are citizen-centered; and are consistent with the Clinger Cohen Act of 1996, the Paperwork Reduction Act, the Federal Acquisition Streamlining Act, and OMB Circular A-130, Management of Federal Information Resources (see also section [53](#) and section [300](#), where applicable).
- *Electronic transactions and electronic recordkeeping.* Your estimates should prioritize and manage E-Government projects effectively through your agency's capital planning process and enterprise architecture. Initiatives should create a citizen-centered electronic presence (maximizing use of the Internet) and advance an E-Government strategy that includes specific

outcomes to be achieved. Your estimates should reflect the requirements of the Government Paperwork Elimination Act, the E-Government Act, and OMB's guidance.

- *Security.* Your estimates should reflect a comprehensive understanding of OMB security policies and National Institute of Standards and Technology (NIST) guidance, including compliance with the Federal Information Security Management Act, and OMB [Memorandum No. M-03-19](#), “Reporting Instructions for the Federal Information Security Management Act and Updated Guidance on Quarterly IT Security Reporting,” by:
 - ▶ Reflecting the cost considerations used to calculate IT security costs as defined in section 53;
 - ▶ Demonstrating that the costs of security controls are understood and are explicitly incorporated in the life-cycle planning of the overall system, including the additional costs of employing standards and guidance more stringent than those issued by NIST;
 - ▶ Demonstrating how the agency ensures that risks are understood and continually assessed;
 - ▶ Demonstrating how the agency ensures that the security controls are commensurate with the risk and magnitude of harm;
 - ▶ Identifying additional security controls for systems that promote or permit public access, other externally accessible systems, and those that are interconnected with systems over which program officials have little or no control;
 - ▶ Demonstrating how the agency ensures the effective use of security controls and authentication tools to protect privacy for those systems that promote or permit public access; and
 - ▶ Demonstrating how the agency ensures that the handling of personal information is consistent with relevant Government-wide and agency policies.
- *Privacy.* Your estimates should reflect the Administration’s commitment to privacy and should include a description of your privacy practices and steps taken to ensure compliance with all OMB privacy policies as set forth in OMB [Memorandum No. M-03-22](#) and [OMB Circular A-130, Appendix 1](#).
- *Improper Payments.* Your estimates should reflect anticipated reductions in improper payments as reported in the Performance and Accountability Report pursuant to the Improper Payments Information Act of 2002.
- *Financial systems.* Your estimates should reflect plans to achieve a single, agency-wide, integrated financial management system. The scope of agency financial systems activities will include the following:
 - ▶ Core financial systems, as described in the Financial Systems Integration Office Core Financial System Requirements Document.
 - ▶ Financial and mixed systems critical to effective agency-wide financial management, financial reporting, or financial control.

Sections [52](#) and [53](#) describe the materials that must be submitted for agency financial management systems.

31.11 Performance of commercial activities.

For public-private competitions conducted under [OMB Circular A-76](#) and completed in FY 2003, FY 2004, FY 2005, FY 2006, and by June 30, 2007, identify how savings: (i) will be used in FY 2008 and (ii) are reflected in the agency's FY 2009 budget request (e.g., effect on base budget). Discussion should account for savings reported in your agency's annual competitive sourcing report under section 647(b) of Division F of the Consolidated Appropriations Act (P.L. 108-199). Agencies should also identify the estimated costs required to support the competitive sourcing initiative in FY 2008. For guidance on how to determine costs, see <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-01.pdf>.

As noted in Section [85](#), the full-time equivalents (FTEs) that you report in your budget submission should be consistent with implementation of your agency's competitive sourcing plan.

31.12 User charges.

Under [OMB Circular No. A-25](#), you must review user charges for your programs at least once every two years, and you must report the result of the review and any resultant proposals in the Chief Financial Officers Annual Report required by the Chief Financial Officers Act of 1990 (see section 8(e) of OMB Circular No. A-25). Develop your estimates in accordance with the full cost recovery policy for user charges set forth in that Circular. User charges normally should recover the full cost of providing goods or services to the public. The exception to this rule is when the Government provides goods or services under business-type conditions, including amounts collected for the use or sale of natural resources; in such cases, the user charge should be set at the market price.

There has been a growth in user charges, and some have been classified by law as offsetting collections or offsetting receipts when they more appropriately should have been classified as governmental receipts. Only user charges that arise from business-type transactions should be classified as offsetting collections or offsetting receipts. User charges are discussed further in section [20.7\(g\)](#).

If you propose new user charges that require authorizing legislation, provide a clear explanation of the new user charge and the legislation that will be required to authorize it. Include a detailed discussion of plans for achieving enactment of the legislation and the administrative actions planned for collecting the charges if the legislation is enacted. Assess the proposal's chances of enactment and explain why the President should propose it in the Budget, taking into account the likely reaction to the proposal by the Congress and the users. Describe the basis for your assessment in detail.