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

BULLETIN NO. 77-12

August 25, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Additional Subfunction Coding of Decision Units

1. Purpose. This Bulletin provides instructions on classifying, by additional subfunctions, zero-base budgeting agency submissions. This information will be used to sort decision packages so that related activities can be reviewed.

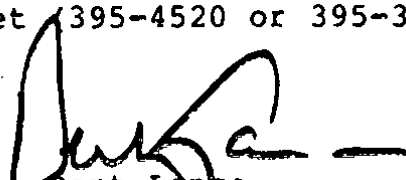
2. Coverage. These instructions apply to all Executive Branch agencies that are required to provide budget submissions based on zero-base decision packages in accordance with OMB Circular No. A-11.

3. Reporting requirements. Agencies will prepare a report on additional subfunctions, in the format of Exhibit 1, for each decision unit submitted to OMB. The reports will be prepared in accordance with instructions in Attachment A of this Bulletin. They will accompany the decision unit overview and set of decision packages that are submitted to OMB in accordance with section 24.1 of OMB Circular No. A-11.

4. Classification of data. Attachment B provides agency and bureau chapter codes, which are needed to complete the report. Attachment C provides the titles and codes of the functions and subfunctions shown in the most recent budget documents. These will be used to identify the additional subfunctions associated with each decision unit.

5. Rescission. This Bulletin is rescinded following receipt of the subfunction coding report (Exhibit 1).

6. Inquiries. Requests for assistance should be directed to the Fiscal Analysis Branch, Budget Review Division, Office of Management and Budget (395-4520 or 395-3930).


Bert Lance
Director

ATTACHMENT A
Bulletin No. 77-12

INSTRUCTIONS FOR THE PREPARATION OF MATERIAL FOR ADDITIONAL
SUBFUNCTION CODING OF DECISION UNITS

This Attachment provides instructions for the preparation of the additional subfunction coding report. This report will be submitted as a covering report with each decision unit overview and set of zero-base budgeting decision packages prescribed by section 24.1 of OMB Circular No. A-11.

Agencies have been instructed to identify for each decision unit the budget subfunction representing the unit's primary purpose. In the normal budget usage, all outlays are classified in the function and subfunction reflecting their primary purpose. However, in this exercise we are asking that the agency provide a covering report to identify other functional or subfunctional categories that describe additional (alternative) purposes served by the programs or a major part of the program in each decision unit.

Two copies of the additional subfunction coding report will be prepared on 8" x 10-1/2" paper in the format of Exhibit 1. The identifying information and blocks should be filled out as described below.

Identifying information. Enter the following information to identify the additional subfunction coding report. This information should agree with the identifying information provided in the corresponding decision unit overview as prescribed by section 24.1 of OMB Circular No. A-11.

Block A. Agency Chapter Code. Enter the applicable two-digit agency chapter code from the list found in Attachment B to this Bulletin.

Block B. Bureau Chapter Code. Enter the applicable two-digit bureau chapter code from the list found in Attachment B to this Bulletin.

Block C. Agency Decision Unit No. Enter the unique four-digit decision unit code designated by the agency pursuant to section 24.1 of OMB Circular No. A-11.

Block D. Decision Unit Budget Year Outlays. Enter the decision unit budget year outlays for the "cumulative total" submitted in the highest level decision package accompanying the decision unit overview.

Block E. Budget Subfunction Code. Enter the three-digit code for the budget subfunction of the decision

unit. This code is the last 3 digits in the 11-digit "identification code" for the account included in the decision unit overview, except when the decision unit contains two or more accounts with different subfunctions. In those cases, enter in this block the subfunction code for the account having the largest outlays.

Block F. Additional Subfunction Codes. Enter additional three-digit subfunction codes -- up to a maximum of five subfunctions -- that apply to all or portions of the decision unit. If possible, the additional subfunction codes should be in descending order of magnitude of outlays. See Attachment C to this Bulletin for a list of subfunction codes.

Reasons for additional subfunctions. Include in the space provided a description of the reason(s) for assigning each additional subfunction code listed. The description should be succinct, as illustrated by the example in Exhibit 2.

The additional subfunctions identified should have a significant direct relationship to the program. For example, Exhibit 2 illustrates the Operation of Indian Programs account, which is primarily area and regional development; hence its budget subfunction code is 452. The additional subfunctions identified also have the following direct relationship to the program's purpose:

- the public assistance and other income supplement subfunction (code 604 in the income security function) because of the welfare and housing assistance provided to Indians;
- the training and employment subfunction (code 504 in the education, training, employment and social services function) because of the training and employment assistance provided to Indians;
- the law enforcement assistance subfunction (code 754 in the law enforcement and justice function) because of the law enforcement activities on Indian lands; and
- the other general government subfunction (code 806 in the general government function) because of the assistance to Indian tribes for operation of tribal governments.

ADDITIONAL SUBFUNCTION CODING

A. Agency Chapter Code	B. Bureau Chapter Code	C. Agency Decision Unit No.	D. Decision Unit Budget Year Outlays (Highest Cumulative Total) (In thousands of dollars)	E. Budget Subfunction Code						
				1	2	3	4	5	6	

Descriptive reason for assigning additional subfunction codes above:

- Subfunction code 2:
- Subfunction code 3:
- Subfunction code 4:
- Subfunction code 5:
- Subfunction code 6:

ADDITIONAL SUBFUNCTION CODING

Department of the Interior
 Bureau of Indian Affairs
 Operation of Indian Programs
 (Area and Regional Development): 14-2100-0-1-452

A. Agency Chapter Code	B. Bureau Chapter Code	C. Agency Decision Unit No.	D. Decision Unit Budget Year Outlays (Highest Cumulative Total) (In thousands of dollars)	E. Budget Subfunction Code						F. Additional Subfunction Codes								
				1	2	3	4	5	6	7	8	9	0					
1 0	7 6	0 3 4 1	350,000	4	5	2	6	0	4	5	0	4	7	5	4	8	0	6

Descriptive reason for assigning additional subfunction codes above:

Subfunction code 2: Welfare and housing assistance for Indians.

Subfunction code 3: Training and employment assistance for Indians.

Subfunction code 4: Law enforcement on Indian lands.

Subfunction code 5: Assistance to Indian tribes for operation of tribal governments.

Subfunction code 6:

ATTACHMENT B
Bulletin No. 77-12

AGENCY AND BUREAU CHAPTER CODES

- 01-00 Legislative Branch:
 - 05 Senate
 - 10 House of Representatives
 - 12 Joint items
 - 14 Congressional Budget Office
 - 15 Architect of the Capitol
 - 25 Library of Congress
 - 30 Government Printing Office
 - 35 General Accounting Office
 - 40 United States Tax Court
 - 45 Commission on Security and Cooperation in Europe
 - 45 Botanic Garden
 - 45 Copyright Royalty Tribunal
 - 45 Cost-Accounting Standards Board
 - 45 Temporary Commission on Financial Oversight of the District of Columbia
 - 45 Office of Technology Assessment
- 02-00 The Judiciary:
 - 05 Supreme Court of the United States
 - 10 Court of Customs and Patent Appeals
 - 15 Customs Court
 - 20 Court of Claims
 - 25 Courts of Appeals, District Courts, and other judicial services
 - 26 Administrative Office of the United States Courts
 - 30 Federal Judicial Center
 - 31 Space and facilities, the Judiciary
 - 32 Expenses, United States Court facilities
 - 34 Bicentennial expenses, the Judiciary
 - 35 Judiciary trust funds
- 03-00 Executive Office of the President:
 - 05 Compensation of the President
 - 10 The White House Office
 - 20 Executive Residence
 - 21 Official Residence of the Vice President
 - 22 Special assistance to the President
 - 30 Council of Economic Advisers
 - 31 Council on Environmental Quality and Office of Environmental Quality
 - 33 Council on International Economic Policy
 - 34 Council on Wage and Price Stability
 - 35 Domestic Council
 - 40 National Security Council
 - 45 Office of Drug Abuse Policy
 - 48 Office of Management and Budget
 - 49 Office of Science and Technology Policy

- 50 Office of the Special Representative for Trade Negotiations
- 51 Office of Telecommunications Policy
- 57 Special Action Office for Drug Abuse Prevention
- 04-00 Funds Appropriated to the President:
 - 02 Appalachian regional development programs
 - 03 Disaster relief
 - 05 Unanticipated needs
 - 07 Expenses of management improvement
 - 09 International security assistance
 - 10 Indochina postwar reconstruction assistance
 - 12 International development assistance
 - 13 International narcotics control assistance
 - 15 Contingencies
 - 18 Israel-United States binational industrial research and development foundation
 - 20 Balance of payments loan for Portugal
 - 25 Petroleum reserves
 - 30 Emergency refugee and migration assistance
 - 50 Public works acceleration
- 05-00 Department of Agriculture:
 - 03 Departmental administration
 - 18 Agricultural Research Service
 - 21 Animal and Plant Health Inspection Service
 - 24 Cooperative State Research Service
 - 27 Extension Service
 - 30 National Agricultural Library
 - 32 Economic Management Support Center
 - 33 Statistical Reporting Service
 - 36 Economic Research Service
 - 48 Farmer Cooperative Service
 - 51 Foreign Agricultural Service
 - 57 Foreign assistance programs
 - 60 Agricultural Stabilization and Conservation Service
 - 63 Federal Crop Insurance Corporation
 - 66 Commodity Credit Corporation
 - 69 Rural Development Service
 - 72 Rural Electrification Administration
 - 75 Farmers Home Administration
 - 78 Soil Conservation Service
 - 80 Federal Grain Inspection Service
 - 81 Agricultural Marketing Service
 - 82 Packers and Stockyards Administration
 - 83 Food Safety and Quality Service
 - 84 Food and Nutrition Service
 - 96 Forest Service
- 06-00 Department of Commerce:
 - 05 General administration
 - 07 Bureau of the Census
 - 08 Bureau of Economic Analysis

10 Economic Development Administration
 15 Regional Action Planning Commissions
 25 Domestic and International Business Administration
 40 Minority Business Enterprise
 44 U.S. Travel Service
 48 National Oceanic and Atmospheric Administration
 49 National Fire Prevention and Control Administration
 51 Patent and Trademark Office
 52 Science and technical research
 70 Maritime Administration
 07-00 Department of Defense--Military:
 05 Military personnel
 07 Retired military personnel
 10 Operation and maintenance
 15 Procurement
 20 Research, development, test, and evaluation
 25 Military construction
 30 Family housing
 35 Civil defense
 37 Special foreign currency program
 40 Revolving and management funds
 45 Allowances
 55 Trust Funds
 08-00 Department of Defense--Civil:
 05 Cemeterial expenses, Army
 10 Corps of Engineers--Civil
 17 Ryukyu Islands, Army
 20 Soldiers' and Airmen's Home
 25 The Panama Canal
 30 Miscellaneous accounts
 09-00 Department of Health, Education, and Welfare:
 10 Food and Drug Administration
 15 Health Services Administration
 20 Center for Disease Control
 25 National Institutes of Health
 30 Alcohol, Drug Abuse, and Mental Health Administration
 35 Health Resources Administration
 37 Office of Assistant Secretary for Health
 40 Office of Education
 42 National Institute of Education
 44 Office of Assistant Secretary for Education
 60 Social Security Administration
 70 Special institutions:
 70 American Printing House for the Blind
 70 National Technical Institute for the Deaf
 70 Gallaudet College
 70 Howard University
 80 Assistant Secretary for Human Development
 90 Departmental management
 25-00 Department of Housing and Urban Development:

02 Housing programs
 03 Government National Mortgage Association
 06 Community planning and development
 12 New Communities Administration
 26 Federal Insurance Administration
 27 Consumer affairs and regulatory functions
 28 Policy development and research
 30 Departmental management
 10-00 Department of the Interior:
 04 Bureau of Land Management
 06 Bureau of Reclamation
 12 Office of Water Research and Technology
 16 Bureau of Outdoor Recreation
 18 United States Fish and Wildlife Service
 24 National Park Service
 28 Geological Survey
 30 Mining Enforcement and Safety Administration
 32 Bureau of Mines
 62 Alaska Power Administration
 64 Bonneville Power Administration
 68 Southeastern Power Administration
 72 Southwestern Power Administration
 76 Bureau of Indian Affairs
 82 Office of Territorial Affairs
 84 Office of the Solicitor and Office of the Secretary
 11-00 Department of Justice:
 03 General administration
 05 Legal activities
 10 Federal Bureau of Investigation
 15 Immigration and Naturalization Service
 17 Drug Enforcement Administration
 20 Federal Prison System
 21 Law Enforcement Assistance Administration
 12-00 Department of Labor:
 05 Employment and Training Administration
 10 Labor-Management Services Administration
 15 Employment Standards Administration
 18 Occupational Safety and Health Administration
 20 Bureau of Labor Statistics
 25 Departmental management
 30 Special commissions and councils
 14-00 Department of State:
 05 Administration of foreign affairs
 10 International organizations and conferences
 15 International commissions
 20 Educational exchange
 25 Other
 21-00 Department of Transportation:
 05 Office of the Secretary
 15 Coast Guard

20 Federal Aviation Administration
 25 Federal Highway Administration
 27 National Highway Traffic Safety Administration
 30 Federal Railroad Administration
 32 Urban Mass Transportation Administration
 35 Saint Lawrence Seaway Development Corporation
 37 Materials Transportation Bureau
 15-00 Department of the Treasury:
 05 Office of the Secretary
 07 Office of Revenue Sharing
 08 Federal Law Enforcement Training Center
 10 Bureau of Government Financial Operations
 12 Bureau of Alcohol, Tobacco, and Firearms
 15 United States Customs Service
 20 Bureau of Engraving and Printing
 25 Bureau of the Mint
 35 Bureau of the Public Debt
 45 Internal Revenue Service
 55 United States Secret Service
 57 Comptroller of the Currency
 60 Interest on the public debt
 19-00 Energy Research and Development Administration
 20-00 Environmental Protection Agency
 23-00 General Services Administration:
 05 Real property activities
 10 Personal property activities
 20 Records activities
 25 Automated data and telecommunications activities
 30 Property management and disposal activities
 31 Preparedness activities
 35 General activities
 27-00 National Aeronautics and Space Administration
 29-00 Veterans' Administration
 30-00 Other independent agencies:
 01 ACTION
 02 Administrative Conference of the United States
 05 Advisory Committee on Federal Pay
 10 Advisory Council on Historic Preservation
 16 American Battle Monuments Commission
 17 Arms Control and Disarmament Agency
 18 Board for International Broadcasting
 20 Central Intelligence Agency
 24 Civil Aeronautics Board
 28 Civil Service Commission
 32 Commission of Fine Arts
 35 Commission on Civil Rights
 37 Committee for Purchase From the Blind and Other
 Severely Handicapped
 38 Commodity Futures Trading Commission
 39 Community Services Administration

40 Consumer Product Safety Commission
 41 Corporation for Public Broadcasting
 42 District of Columbia
 44 Emergency Loan Guarantee Board
 46 Equal Employment Opportunity Commission
 48 Export-Import Bank of the United States
 52 Farm Credit Administration
 60 Federal Communications Commission
 64 Federal Deposit Insurance Corporation
 65 Federal Election Commission
 66 Federal Energy Administration
 68 Federal Home Loan Bank Board
 72 Federal Maritime Commission
 76 Federal Mediation and Conciliation Service
 78 Federal Metal and Nonmetallic Mine Safety Board of
 Review
 80 Federal Power Commission
 84 Federal Trade Commission
 88 Foreign Claims Settlement Commission
 31-01 Harry S. Truman Scholarship Foundation
 Historical and memorial commissions:
 03 American Revolution Bicentennial Administration
 05 Other historical and memorial agencies
 06 Indian Claims Commission
 Intragovernmental agencies:
 08 Advisory Commission on Intergovernmental Relations
 09 Appalachian Regional Commission
 10 Delaware River Basin Commission
 11 Interstate Commission on the Potomac River Basin
 12 Susquehanna River Basin Commission
 14 Washington Metropolitan Area Transit Authority
 16 Intelligence Community Oversight
 17 International Trade Commission
 20 Interstate Commerce Commission
 21 Japan-United States Friendship Commission
 22 Legal Services Corporation
 23 Marine Mammal Commission
 25 National Capital Planning Commission
 27 National Center for Productivity and Quality of
 Working Life
 30 National Commission on Libraries and Information
 Science
 34 National Credit Union Administration
 35 National Foundation on the Arts and the Humanities
 36 National Labor Relations Board
 40 National Mediation Board
 45 National Science Foundation
 47 National Transportation Safety Board
 50 Nuclear Regulatory Commission
 32-05 Occupational Safety and Health Review Commission

08 Pennsylvania Avenue Development Corporation
 10 Postal Service
 20 Railroad Retirement Board
 25 Renegotiation Board
 35 Securities and Exchange Commission
 40 Selective Service System
 45 Small Business Administration
 50 Smithsonian Institution
 33-11 Joint Federal-State Land Use Planning Commission
 for Alaska
 12 Other temporary commissions
 13 National Commission on the Observance of Inter-
 national Women's Year, 1975
 15 Tennessee Valley Authority
 25 United States Information Agency
 30 United States Railway Association
 35 Water Resources Council
 Off budget Federal entities:
 Department of Agriculture:
 55-05 Rural Electrification and Telephone Revolving Fund
 55-05 Rural Telephone Bank
 Department of Housing and Urban Development:
 55-25 Housing for the elderly or handicapped fund
 Department of Labor:
 55-35 Pension Benefit Guaranty Corporation
 Department of Treasury:
 55-45 Exchange Stabilization Fund
 55-45 Federal Financing Bank
 Independent agencies:
 Board of Governors of the Federal Reserve System
 55-75 Postal Service
 55-85 United States Railway Association
 Government sponsored, privately owned enterprises:
 Department of Health, Education, and Welfare:
 61-60 Student Loan Marketing Association
 Department of Housing and Urban Development:
 61-60 Federal National Mortgage Association
 Farm Credit Administration:
 61-70 Banks for cooperatives
 61-70 Federal intermediate credit banks
 61-70 Federal land banks
 Federal Home Loan Bank Board:
 61-80 Federal home loan banks
 61-90 Federal Home Loan Mortgage Corporation

ATTACHMENT C
Bulletin No. 77-12FUNCTIONS AND SUBFUNCTIONS IN THE 1978 BUDGET:
CLASSIFICATION CODES AND TITLES

The titles and codes of the subfunctions listed in this Attachment will be used to identify the additional subfunctions associated with each decision unit. Background information on the functional classification (Appendix 1) and definitions of each function (Appendix 2) are also provided to assist in classification by additional subfunctions.

050 NATIONAL DEFENSE

- 051 Department of Defense-Military
- 052 Military assistance
- 053 Atomic energy defense activities
- 054 Defense-related activities

150 INTERNATIONAL AFFAIRS

- 151 Foreign economic and financial assistance
- 152 Conduct of foreign affairs
- 153 Foreign information and exchange activities
- 155 International financial programs

250 GENERAL SCIENCE, SPACE, AND TECHNOLOGY

- 251 General science and basic research
- 253 Space flight
- 254 Space science, applications, and technology
- 255 Supporting space activities

300 NATURAL RESOURCES, ENVIRONMENT, AND ENERGY

- 301 Water resources and power
- 302 Conservation and land management
- 303 Recreational resources
- 304 Pollution control and abatement
- 305 Energy
- 306 Other natural resources

350 AGRICULTURE

- 351 Farm income stabilization
- 352 Agricultural research and services

400 COMMERCE AND TRANSPORTATION

- 401 Mortgage credit and thrift insurance
- 402 Postal Service
- 403 Other advancement and regulation of commerce
- 404 Ground transportation
- 405 Air transportation
- 406 Water transportation
- 407 Other transportation

450 COMMUNITY AND REGIONAL DEVELOPMENT

- 451 Community development
- 452 Area and regional development
- 453 Disaster relief and insurance

500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

- 501 Elementary, secondary, and vocational education
- 502 Higher education
- 503 Research and general education aids
- 504 Training and employment
- 505 Other labor services
- 506 Social services

550 HEALTH

- 551 Health care services
- 552 Health research and education
- 553 Prevention and control of health problems
- 554 Health planning and construction
- 555 General health financing assistance

600 INCOME SECURITY

- 601 General retirement and disability insurance
- 602 Federal employee retirement and disability
- 603 Unemployment insurance
- 604 Public assistance and other income supplements

700 VETERANS BENEFITS AND SERVICES

- 701 Income security for veterans
- 702 Veterans education, training, and rehabilitation
- 703 Hospital and medical care for veterans
- 704 Veterans housing
- 705 Other veterans benefits and services

750 LAW ENFORCEMENT AND JUSTICE

- 751 Federal law enforcement and prosecution
- 752 Federal judicial activities
- 753 Federal correctional and rehabilitative activities
- 754 Law enforcement assistance

800 GENERAL GOVERNMENT

- 801 Legislative functions
- 802 Executive direction and management
- 803 Central fiscal operations
- 804 General property and records management
- 805 Central personnel management
- 806 Other general government
- 807 Federal Financing Bank

850 REVENUE SHARING AND GENERAL PURPOSE FISCAL ASSISTANCE

- 851 General revenue sharing
- 852 Other general purpose fiscal assistance

900 INTEREST

- 901 Interest on the public debt
- 902 Other interest

950 UNDISTRIBUTED OFFSETTING RECEIPTS

- 951 Employer share, employee retirement
- 952 Interest received by trust funds
- 953 Rents and royalties on the Outer Continental Shelf

Appendix I
Bulletin No. 77-12

BACKGROUND INFORMATION ON THE FUNCTIONAL CLASSIFICATION

The functional classification is one of the principal methods used in classifying budgetary data; it has been used for three decades as the framework for discussing the President's program in the budget documents. The historical data tables for outlays in the budget are presented almost exclusively in functional terms, thereby providing a consistent basis for comparing changes in spending over time. In addition, the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) requires that the Congress exercise control over the budget through use of targets by function. This provision means that the functional classification is not only used to display the budget, but also to control it.

Background

A comprehensive functional classification of budget authority and outlays was first used in the 1948 budget. As stated in that budget:

By grouping together items which are functionally related, regardless of the agency which is responsible, this type of classification provides for the Congress and the public a useful summary of what the Government is doing, or expects to do, and, in general, focuses upon the ultimate purpose which the government programs are designed to serve. *

Thus, the emphasis of the functional classification is on what the Federal Government seeks to accomplish rather than on the means of accomplishment, what the Government purchases, or the clientele or geographic area served. (An example of a clientele group not identified in the functional structure is "Indians"; Indian health programs are in the health function; Indian community development programs are in community development, etc. In contrast, one interest group (veterans) has traditionally been singled out and treated as a separate function.)

In the past, each unit being classified (i.e., generally, an appropriation account) has been classified into the single best or predominant purpose served. Quite often, alternative classifications have been both possible and reasonable. For example, training of medical research

*The Budget of the United States, 1948, p. 1353.

personnel in a military hospital could readily be classified as national defense, as education, as manpower training, or as health. Because an activity is classified in the budget into the one category that identifies its predominant purposes, and because most Federal programs serve more than one goal, the amount shown in the budget in virtually every function understates the total Federal resources applied to that purpose. This method is necessary if the sum of the outlays (or budget authority) for all functions is to equal the budget total, and it continues to be the rule in the context of the functional presentation in the budget documents.

However, the purpose of this bulletin is to obtain an accurate and rigorous identification of the multi-purpose activities of decision units and to code these units accordingly. The functional classification structure is being used because it is the best existing classification structure for this purpose. The budget subfunction code assigned to a decision unit will be the subfunction code assigned to the account from which that unit is funded. The additional subfunction codes will identify the less important purposes served by the activities of that decision unit. For example, the primary purpose of medicare is to promote health, so in the functional classification it is in the health function (subfunction 551). However, under this bulletin the medicare program could also be classified as income security and coded in the report in the most nearly appropriate additional subfunction category (in this case, subfunction 604).

The primary purpose of this exercise is to identify the major additional (alternative) subfunctional codes. It is recognized that choosing the most nearly appropriate additional subfunction codes must necessarily be arbitrary in part, since the subfunction titles are structured to identify the primary purposes and are simply being adapted for this exercise.

DEFINITIONS AND PARAMETERS OF THE
FUNCTIONAL CATEGORIES

The following definitions and parameters for major functions provide guidance in determining the categories (i.e., additional to the budget subfunction used to identify the account that finances the decision unit) for the additional subfunction coding report to be submitted with the 1979 agency budget submissions. Comparable definitions and parameters for subfunctions have not been developed. Therefore, classification by additional subfunctions must be based upon the guidance provided by these definitions of functional categories, the list of functional and subfunctional codes and titles in Attachment C and upon the judgment of the classifier.

This description of major functions was originally developed to aid in functional classification of each unit by primary purpose (i.e., by budget function and subfunction). For the purposes of this Bulletin, the descriptions are to be used to determine applicable additional subfunctions for each decision unit. Since these additional subfunctions need not be within the same major functional category as the budget subfunction, some activities that are not classified under a particular functional category -- but are closely associated with it -- are specifically identified as candidates for classification as additional subfunctions.

National defense

This function includes those programs directly related to the common defense and security of the United States. It includes the raising, equipping, and maintaining of armed forces (including civilian supporting activities); development and utilization of weapons systems (including nuclear weapons); and the provision of military assistance to friendly governments.

National defense includes direct compensation and benefits paid to active military and civilian personnel; contributions to their retirement, health, and life insurance funds; military retired pay; the conduct of defense research, development, testing, and evaluation; and procurement, construction, stockpiles, and other activities undertaken with the direct object of fostering our national security.

Excluded from national defense functional classification but identified as candidates for classification as additional subfunctions are the peaceful conduct of foreign relations, foreign economic development and humanitarian assistance, subsidies to business by civilian agencies that may be partially justified as promoting national security, and research and operations of agencies (such as space research) whose program mission is not directly designed to promote national defense but which could result in some significant benefits to our national security.

International affairs

This function is concerned with the establishment and maintenance of peaceful relations, commerce, travel, and development between the United States and the remainder of the world. It includes the conduct of foreign affairs, membership in international organizations, foreign information and exchange activities, economic assistance programs, and grant and loan programs designed to foster foreign commerce.

Excluded from the international affairs function but identified as candidates for classification as additional subfunctions are military assistance programs, and other programs that are concerned significantly (but not primarily) with the establishment and maintenance of peaceful relations, commerce, travel, and development between the United States and the remainder of the world (e.g., promotion of tourism and commerce).

General science, space, and technology

The purpose of this function is to show all science and research activities of the Federal Government where the goal is man's general advancement of knowledge. In addition, research programs that have diverse goals and cannot readily be classified into one specific function are also placed here to avoid detailed splitting of accounts.

Included in this function are general scientific research programs that are not an integral part of the programs conducted under another function. This includes the research conducted by the National Science Foundation; space research and technology, except aeronautical technology; and the broad-based scientific activities of the Energy Research and Development Administration.

As is noted above, research programs that are an integral part of the achievement of other major functions -- e.g., health, national defense, energy -- are excluded from this function. Nonetheless, these research programs could be classified as additional subfunctions relative to this budget function.

Natural resources, environment, and energy

This function includes those programs whose primary purpose is to develop, manage, and maintain the Nation's natural resources and environment or to promote the conservation and development of energy resources. It encompasses development and management of water resources and power; protection and enhancement of environmental quality; development and maintenance of recreational resources; promotion of the prudent use of forest and mineral resources; nondefense research and applications of nuclear power, fossil fuels, and other energy sources; other energy programs such as fuel allocation and energy conservation programs; the fostering of conservation practices on both public and private lands; and the management of the public domain.

Excluded from being classified in this function are urban water supply programs, basic sewer systems, and waste treatment plants that are an integral part of a Federal facility (such as a military installation) unless these activities are an integral part of an environmental protection program and are specifically funded as environmental protection. Nonetheless, such activities are candidates for classification as additional subfunctions relative to this budget function.

Agriculture

This function includes those programs that promote the economic stability of agriculture and the capability to maintain and increase agricultural production. These objectives are accomplished through farm income stabilization programs, research and educational activities, programs that maintain agricultural markets, regulation of agricultural markets and practices, and losses from the disposal of surplus commodities.

The function does not include programs which, though related to rural development, are not directly related to agriculture. Examples are rural environmental and conservation programs, which are classified in the natural resources function. Nonetheless, such programs might well

be classified as additional subfunctions relative to this budget function.

Commerce and transportation

This function includes the promotion and regulation of commerce and transportation. Activities classified in commerce include collection and dissemination of social and economic data unless this is an integral part of another major function (such as health); loans, subsidies, insurance, and regulation of business unless these are an integral part of another function; and the subsidy to the Postal Service.

Activities classified as transportation include all programs with the primary aim of providing for the transportation of the general public and/or their property, regardless of whether local or national and regardless of the particular mode of transportation. They include the construction of facilities; purchase of equipment; research, testing, and evaluation; provision of communications directly related to transportation (for example, air traffic control by the FAA); and operating subsidies for transportation facilities (such as airports) and industries (such as railroads). Transportation includes regulatory activities directed specifically toward the transportation industry rather than toward general commerce.

Excluded from classification in this function but candidates for classification as additional subfunctions are foreign economic assistance related to transportation facilities or programs abroad; the construction of roads, trails, etc., as an integral part of the operation of public lands, parks, forests, or military reservations, unless they are specifically funded as part of a broader transportation system; the construction of roads or other transportation facilities as an integral part of a broad community facility or regional development program where the clear intent of the program is regional development and the provision of transportation facilities is only an incidental by-product or means to attain the objective of regional development. Also excluded from classification as transportation are research and technology activities devoted to space research, except for aeronautical technology, even though this research may eventually be to the advantage of general transportation. These activities might, of course, be classified as additional subfunctions relative to this budget function.

Community and regional development

Activities classified in this function consist of broad-based community and regional development programs and programs concerned with urban and rural renewal. They include water supply and sewer systems (except those specifically funded as environmental protection programs); urban renewal programs, regional economic development programs, broad-based public facility construction programs, and rehabilitation of public facilities in the event of natural disasters.

As a normal rule, social services, transportation facilities and operating subsidies, and business loans and grants are excluded from classification in this function. However, if such programs are undertaken as specific means to achieve the broader community development goals and such programs are financed out of broad community development programs rather than as an integral part of transportation, social service, or other programs, they will be included in community development. Otherwise, they may be classified as additional subfunctions relative to this budget function.

Education, training, employment, and social services

Activities that are classified in this function include those with outlays designed to promote the general extension of knowledge and skills and/or to assist individuals to become self-supporting members of society. It includes the provision of education or training services, income support directly related to training or education, child care, and general social services provided to individuals and families. It includes cash payments (scholarships, loans, or stipends) to persons when such payments are provided to enable a person to participate in education or training programs. It also includes research directly related to the provision of said services. It excludes education or training undertaken as an integral part of the achievement of another functional end (such as training of military personnel; veterans education, training, and rehabilitation; or training of health research workers in a health program) and also excludes general purpose scientific research. (Of course, these activities might be classified as additional subfunctions.)

The provision of social services -- child care, employment counselling, and vocational rehabilitation -- are included in this function unless they are restricted to, and are an integral part of, another function, in which case they may

be classified as additional subfunctions relative to this budget function.

Health

The programs classified in this function involve those that have as their basic purpose the promotion of the physical and mental health of the Nation's population, including the prevention of illness and accidents. They include research into the causes and cure of disease; promotion of consumer and occupational health and safety; planning, financing, and provision of medical care; the financing of specialized programs for training of health workers and researchers; and food (including meat), drug, and other product safety inspection programs.

Excluded from the health function but identified as candidates for classification as additional subfunctions are Federal fund medical costs that are an integral part of the cost of Federal employment (such as medical care for military personnel and veterans), general scientific research that has medical applications (such as health research conducted by the National Science Foundation), and health programs that are an integral part of foreign assistance.

Income security

This function includes payments to persons for which no current service is rendered. It includes retirement (excluding military retired pay), disability, unemployment, and welfare payments and the associated administrative costs. Also included in income security are the food stamp, special milk, and child nutrition programs (whether the benefits are in cash or kind); both Federal and trust fund unemployment compensation and workmen's compensation; public assistance cash payments; benefits to the elderly and to coal miners; and low - and moderate-income housing aids.

Excluded from the income security function but identified as candidates for classification as additional subfunctions are financial assistance for educational purposes, child care services, vocational and employment training, vocational rehabilitation services and stipends, medical care (whether in cash or kind), subsidies to businesses (such as farm price supports) that end up as income to persons, income security programs restricted to veterans and their dependents, and military retired pay.

Veterans benefits and services

This function consists of programs providing benefits and services, the eligibility for which is related to military service but which are not an integral part of national defense. It includes veterans service-connected compensation; veterans non-service-connected pensions; veterans readjustment benefits, housing, and medical care programs.

As a normal rule, activities classified in this function are similar to those in the broader general purpose functions (such as income security or health) but are restricted to veterans and their dependents. Hence, where the broader-based functions provide benefits to veterans, they should be reported as additional subfunctions relative to this budget function.

Law enforcement and justice

This function includes those programs designed to provide judicial services, police protection, law enforcement (including civil rights), rehabilitation and incarceration of criminals, and promotion of the general maintenance of domestic order. Excluded from this function but identified as candidates for classification as additional subfunctions are the activities of the legislative branch, the narrow-purpose police or guard activities providing protection to Federal property, activities that are an integral part of a broader function (such as postal inspectors, tax collection agents, and Park Service Rangers), and the costs of National Guard personnel and military personnel who are called upon occasionally to provide general public safety protection, as well as military police.

General government

This function includes the general overhead costs of the Federal Government including legislative and executive activities, provision of central fiscal, personnel, and property activities; and the provision of services that cannot reasonably be classified in any other major function. As a normal rule, all activities reasonably or closely associated with other functions shall be excluded from the general government function. Nonetheless, general overhead costs of departments and agencies that are associated with other functions could be classified as additional subfunctions relative to this budget function.

Revenue sharing and general purpose fiscal assistance.

This function includes Federal aid to State, local, and territorial governments that is available for general fiscal support or is available for distribution among programs involving two or more major budgetary functions when the distribution among those functions is at the discretion of the recipient jurisdiction. It includes payments in lieu of taxes, broad-purpose shared revenues, General Revenue Sharing, and the Federal payment to the District of Columbia.

Interest

Interest is the cost attached to borrowing or lending money. It is not an objective in and of itself, but rather a result of seeking to fulfill other objectives. The other objectives can normally be identified in two broad groupings: (1) those in which the transaction directly gives rise to interest payments or income; and (2) the general shortfall of income over outgo (or the converse) arising out of fiscal, monetary, and other policy considerations and leading to the creation (or elimination) of interest-bearing debt instruments (normally the public debt).

The interest function includes interest on the public debt, on uninvested funds, on tax refunds, and interest recorded in budgetary receipt (propriety or intergovernmental) accounts (except for interfund interest received by trust funds).

OMB BULLETIN No. 77-11

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

June 28, 1977

BULLETIN NO. 77-11

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Controlling Grade Escalation in the General Schedule

1. Purpose. This Bulletin establishes a plan for monitoring, evaluating, and controlling increases in the average grade of specific General Schedule occupations within executive branch agencies.

2. Background. Since May 1976, the Office of Management and Budget (OMB) and the Civil Service Commission (CSC) have been working with other executive agencies on a series of activities aimed at better controlling average grade Government-wide. In conjunction with these efforts, OMB and CSC have developed a new information system for analyzing changes in average grade. All executive agencies and establishments having 500 or more employees as of the date of this Bulletin and in March 1974 are covered by the system. It has been designed to allow OMB, CSC and agency heads to better measure present accomplishments and problems; to alert them to grade escalation trends as they begin; and to allow for precise tracking of agency progress toward reaching grade reduction targets where these are determined necessary. The system will provide very detailed information on the specific occupations within each department and its subordinate bureaus where grade escalation has occurred. It will also provide comparative cost data to illustrate the cost implications of maintaining the present grade structure in these occupations as opposed to exploring alternative structures. Specifically, the new system will provide:

- a. A rank ordering of series within each agency based upon the costliness of the increase in average grade which each series has experienced. This is a factor of the amount of the increase, the population, and the salary levels involved.
- b. An analysis, by occupation within agencies, of the percentage of employees presently at each grade

level and the percentage change at each grade level from the reference date of March 1974.

- c. An analysis, by occupation within agencies, of the comparative differences in cost between the present percentage distribution of employees at each grade level, and the percentage of employees at each grade level:
 - (1) That existed in this same occupation and agency in March 1974.
 - (2) That presently exists for this occupation Government-wide.
- d. A rank ordering of series within each agency based upon the rate at which their average grade has increased.
- e. A rank ordering of series within each agency based upon the rate at which their average grade has increased, adjusted to take into account differences between the present agency and Government-wide average grade for each series.
- f. An analysis of the total net increase in average grade agency-wide adjusted to account for changes in series population.

3. Required Actions. The first data from this new system should be ready in late July 1977. Subsequent reports will be furnished on a semi-annual basis. All agency heads of units included in the system will receive the information as soon as it is available. Upon receiving these analyses, agencies should examine the data and identify those occupations where there is a substantial cost impact, or rate of increase, or potential for savings. Not all series need to be reviewed. A high ranking on any one or more of the factors described in 2.a.-f. above could, however, be significant. This would include, for example:

- a. Series with small populations which have a relatively low cost of increase ranking (factor 2.a.), but are increasing at a very rapid rate (factors 2.d. and 2.e.).
- b. Series with large increases in the percentage of employees at high grade levels (factor 2.b.). Such

shifts are a problem even where increased entry level hiring has kept average grade fairly stable and thus factor 2.d. and 2.e. ratings are low. Over time the new employees are themselves eligible for promotion to the higher senior level grades. When and if series expansion abates, average grade can escalate dramatically.

- c. Series where the cost of the present grade distribution pattern is markedly higher than the comparative cost if employees were distributed in accord with the 1974 or the Government-wide pattern (factor 2.c.). Such series might present an opportunity to achieve great savings through job restructuring, etc., even though they have had only moderate recent increases (factor 2.d.), and thus low cost of increase rankings (factor 2.a.).

4. Grade Reduction Targets. For each series identified in the manner described in section 3 above, agencies will:

- a. Determine whether the increases in average grade which have occurred are fully supported and required by changes in the nature and complexity (not volume) of the work.
- b. Determine whether the existing grade structure is essential in light of comparative cost data on alternate grade structures in other agencies, and the grade structure Government-wide.
- c. Set grade reduction targets for those occupations which fail to meet either of the above criteria. Not all series will have targets.

In light of the special emphasis given to position management and job classification in the past year, and the many ongoing internal programs to control grade escalation which agencies have reported to OMB and the Civil Service Commission, it is anticipated that agency heads should already have sufficient data on hand to make initial grade reduction projections. Agencies will submit proposed occupational grade reduction targets to OMB along with their FY 79 budget requests (see attachment for format). For each occupation where grade reduction targets are determined necessary, agencies will provide:

- a. The Civil Service job classification series code and title.
- b. The agency occupational title if different.
- c. Average grade listed in most recent change in average grade analysis.
- d. The proposed average grade target level to be reached by the end of each of the next three fiscal years, beginning with FY 78.

OMB will review and approve these grade reduction targets in conjunction with the normal budget process. Agencies will be notified only if there are questions regarding their proposed targets. Data on changes in average grade will be made available to agencies semiannually. As they receive new reports, agencies will review their progress on existing goals and the need for new or revised targets in the occupations identified.

5. Implementation Plans. Agency heads have the primary responsibility for ensuring that adequate grade reduction goals are set, and it is intended that agencies have the maximum flexibility in developing and carrying out programs and plans to meet these goals. There are a variety of options available to agencies including:

- a. Ensuring that increases in average grade are fully supported by Civil Service Commission job classification standards. The Commission will be using data from the study as an aid in planning its own allocation of classification review resources.
- b. Evaluating all vacancies to determine whether they can be eliminated or restructured at a lower grade level.
- c. Closely monitoring and carefully evaluating promotions.
- d. Reviewing supervisory levels, with particular attention to the extent of "layering" and the need for deputies or assistants.
- e. Reviewing the organization structure of each unit to determine if existing staffing patterns are still appropriate in view of program changes.

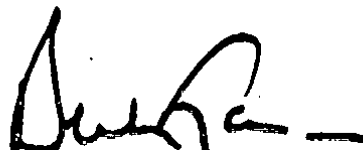
Staffing new programs in a manner that will tend to lower average grade.

- f. Reorganizing work where appropriate so that it can be accomplished with lower graded employees. For example, using technicians where professional staff is not being utilized at their full skill level.
- g. Strengthening agency position management systems prescribed by OMB Circular A-64.

As long as agreed-upon goals are being met, agencies are not required to submit implementation plans to OMB. Justifications, timetables, background papers should not be submitted unless specifically requested.

6. Effective Date. These instructions are effective upon issuance of this Bulletin.

7. Inquiries. Inquiries should be addressed to the OMB representative in charge of the agency's budget estimates.


Bert Lance
Director

Attachment

Agency Title
Date

PROPOSED GRADE REDUCTION TARGETS FOR
(list fiscal year of budget submission)

Series Code	a. Classification Title	b. Agency Title If Different	c. Present Average Grade	d. Target		
				FY 78	FY 79	FY 80
Example:						
343	Management Analyst	---	10.7	10.60	10.50	10.35

- a. The Series Code and Classification title can be found in the Civil Service Commission published classification standards and its Handbook of Occupational Groups and Series of Classes.
- b. Leave blank if no difference. Within an agency, this occupation might be referred to by another name such as Program Analyst or Program Evaluation Specialist.
- c. This is the average grade listed in Tab A of the most recent change in average grade report. Agencies will be provided with this information.
- d. This is the end-of-year grade reduction target agreed upon by OMB and the agency.

~~SECRET~~

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

BULLETIN NO. 77-10

May 26, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Information required for the Mid-Session Review of the 1978 Budget

1. Purpose. These instructions cover the preparation and submission of information required for the Mid-Session Review of the 1978 Budget. The Review will be transmitted to the Congress on or before July 1, 1977.

2. Background. For the purpose of preparing this report, OMB must obtain:

- revisions in the estimates of budget authority, outlays, and receipts for 1977 and 1978 previously transmitted to the Congress;
- estimated budget authority and outlays for the four succeeding years for each account; and
- estimated outlays for the four succeeding years from 1978 year-end balances of controllable programs.

The Mid-Session Review will present the current status of the President's Budget, including estimates for Government-owned entities outside the budget totals. The detailed information contained in this report, together with supporting data, will be used by the Congress in connection with its budget scorekeeping responsibilities and for the development of the second concurrent resolution.

Agencies should pay particular attention to current spending trends to ensure that outlay estimates for 1977 and 1978 are realistic. In revising the estimates, agencies should also take into account the revisions transmitted to the Congress on April 22 and subsequently.

3. Definitions. In preparing this report, revisions will be made to budget estimates transmitted to the Congress on three previous occasions. In this Bulletin, these earlier estimates are referred to as follows:

January Budget

Budget estimates transmitted to the Congress on January 17, 1977 ("Ford Budget").

February Budget Revisions

Revised budget estimates transmitted to the Congress on February 22, 1977 ("Carter Budget").

April estimates

The "Current Budget Estimates" transmitted to Congress on April 22, 1977.

4. Materials required. OMB will provide for agency use three copies of the Supplementary Source Documents (SSD) and the Receipt Account Data files, each of which contains data from the February budget revisions. In addition, each agency will receive three copies of a long-range projection file and some agencies will receive three copies of a file with information on unexpended FY 1978 balances from the January budget. The agencies should use the data files as follows:

a. Supplementary source document file. This file contains the amounts in the February budget revisions. It will be used as the basis for agency review and submission of data for the Mid-Session Review.

The file should be annotated as follows:

(1) For accounts to which no changes are necessary, the file should be marked "✓" in the left margin opposite the 11-digit identification code:

(2) Changes to the 11-digit identification code may be required due to a change in the transmittal status of proposed amounts (see OMB Circular No. A-11, section 21.3). For example, the file for the February budget revisions separately identified many of the changes as items for later transmittal (transmittal code 3). In all cases in which these requests have since been transmitted to the Congress, the amounts involved should be merged into the regular budget schedule amounts (transmittal code 0). Other changes which should be made include:

-- All enacted supplementals should be merged with other enacted amounts.

-- The transmittal status for amounts in the February budget revisions that were proposed for later transmittal under proposed legislation (transmittal code 2) should be reviewed. If only the authorizing legislation has been transmitted, the transmittal code 2 should be retained, regardless of whether the authorization has been enacted. On the other hand, if the authorization request has been enacted and the appropriation request transmitted, the transmittal code should be changed to "Supplemental under existing legislation" (transmittal code 1).

-- Rescissions that were pending at the time of the February revised estimates and were later accepted by the Congress should now be merged with other enacted amounts. Those pending rescissions that were not accepted by the Congress should be deleted from the file. Any new "rescission pending" items should be added.

(3) Changes in the budget estimates should be made in red by drawing a single line through the earlier entry and legibly recording above it the current entry.

(4) Enacted pay supplementals and their associated outlays should be merged into the "Appropriation" and "Outlays" entries (lines 40 or 43 and 90 of the SSD, Section A).

(5) For accounts not currently in the file, agencies will provide data through submission of an original and one copy of the SSD (S.F. 307-T) prepared in accordance with instructions contained in sections 41.1-41.4 of OMB Circular No. A-11, Revised. The first two amount columns will be left blank and the remaining columns headed "1977," and "1978" will be completed.

b. Receipt account data file. This file is a computer listing of receipt data included in the February budget revisions. Accuracy of the data will be verified and the left margin annotated in the same manner as for the SSD file (see paragraph 4a above). Revised amounts will be entered in red.

c. Long-range projections. This listing, the Long-Range Data and Update Form, displays agency, bureau, and account titles, with line numbers identifying each account (see Exhibit 1). The line entries present account level detail that was compiled earlier this spring for internal OMB use.

Agencies should enter in red on this listing estimates or reestimates of 1978-82 long-range projections. These projections are designed to indicate the degree to which the President's 1978 budget plans commit future financial resources. These estimates and projections will be prepared in accordance with Attachment A.

d. End of year unexpended balances file. This file is a computer listing containing estimates of unexpended balances of controllable programs as reflected in the January budget. Agencies will revise the amounts for 1978 and estimate the spendout of these balances in future years in accordance with the instructions in Attachment B and in the format of Exhibit 2.

e. Transmittal letter. Agencies will submit an original and one copy of a transmittal letter. This letter will include a brief explanation of major changes to the estimates of total budget authority, outlays, and receipts, and should identify the addition or deletion of accounts from the long-range projection file, as required in Attachment A.

Agencies will include with the transmittal letter an Analysis of Changes table prepared in the format of Exhibit 3. This table will provide a bridge from the February budget revisions to the April estimates and from the April estimates to the current estimates. The table will separately identify all major revisions (in excess of \$50 million). Other smaller changes may be combined in an "All other changes, net" entry.

5. Basis for the revised estimates. Amounts for 1977 and 1978 will be revised to reflect changes due to reestimates, publicly-announced Administration proposals, and Congressional action or inaction.

a. Reestimates. Agencies should review the estimates and make adjustments where appropriate to reflect current spending trends and other actions or events that affect the estimates. The new estimates should also reflect changes in economic assumptions since transmittal of the previous

estimates. Economic assumptions to be used in preparing new estimates will be provided by OMB.

b. Administration initiatives. Estimates should be revised to reflect changes due to:

(1) budget amendments and supplementals transmitted, or approved and pending in OMB (the final compilation of estimates will be adjusted by OMB to include only those items that have been approved by the President),

(2) deferral or rescission proposals transmitted;

(3) legislative proposals transmitted or publicly supported by the President that affect budget authority, outlays, or receipts, and

(4) other initiatives approved by the President.

c. Congressional action or inaction. Revisions to the estimates should reflect changes due to Congressional action or inaction, including enacted appropriations, delayed enactment of proposed legislation, enacted authorizations, and action or inaction on deferrals and rescissions. The effect of reduction proposals by the Administration should be included as proposed unless delays in enactment require modification of the estimate or Congress has taken an action that clearly requires a revision. Revisions attributable to enactment of discretionary authorizations for appropriation should reflect only the amounts that have been specifically requested or approved by the President to be requested as appropriations.

In preparing revised estimates for legislative proposals not yet enacted by the Congress, agencies should assume an effective date of October 1, 1977, where an earlier date had been assumed previously.

6. Timing of submissions. Agencies should submit two copies of each of the required materials to OMB no later than June 10, 1977.


Bert Lance
Director

Attachments

ATTACHMENT A
Bulletin No. 77-10

INSTRUCTIONS FOR THE PREPARATION OF LONG-RANGE PROJECTIONS

General Instructions.

1. Projections will reflect the future budget authority, outlays and offsetting receipts implicit in the program levels, initiatives, and economy measures approved by the President. No discretionary changes are to be assumed in programs unless they are the result of specific public Presidential commitments. The projections should not anticipate future policy decisions. However, they should reflect any specific Presidential decisions made for the budget year that affect later years.

2. In general, amounts will not be included for anticipated price increases or future Federal pay raises. These amounts will be computed by OMB and included in an aggregate allowance. The exceptions to this general rule are:

a. Beneficiary programs will reflect inflation adjustments required by provisions of law.

b. Where approval has been given to agencies by OMB for inclusion of anticipated future price increases for certain multi-year, fully funded major procurement or construction programs (e.g., the space shuttle, nuclear reactors, and major weapons systems) and for RDT&E for major systems, such anticipated increases will be reflected in projections of budget authority and outlays in accordance with the economic assumptions supplied by OMB.

3. In general, growth in agency workload will be assumed to be offset by productivity increases so that related employment will not increase.

4. On-going programs whose authority expires during the forecast period will be projected at the level of the program in the year prior to its expiration, unless there are specific policy determinations to the contrary. Programs that are clearly one-time or temporary, such as temporary study commissions, should be allowed to expire.

5. Projections for benefit payments:

a. Unemployment insurance benefits. Estimates for these benefits should be consistent with the aggregate unemployment rate assumptions supplied by OMB.

b. Medicare and Medicaid. Projections for these programs should be based on HEW forecasts and the latest actual information available. Assumptions on medical care prices related to the Consumer Price Index, utilization rates, number of beneficiaries, etc., will be developed by the agency and OMB.

c. Other benefit payments. (Including: OASDI; railroad retirement; Civil Service and military retirement; supplemental security income; and veterans compensation, pensions, and readjustment benefits). Benefit payments per beneficiary should be increased to take into account increases in the earnings base (where applicable) on which the benefit is computed, unless existing law or Administration-supported legislation provides otherwise. The projections should be calculated by multiplying the expected number of beneficiaries in each future year by average benefit payments per beneficiary. For those programs for which existing or proposed legislation provides for automatic cost-of-living adjustments, the result should further be multiplied by a Consumer or other Price Index adjustment factor to be supplied by the Office of Management and Budget. Presidential proposals to increase or decrease such benefits should be shown separately.

Specific Instructions

1. Lines should not be added to or deleted from the computer listing. In cases where accounts must be added or deleted to make the long-range computer data file consistent with the current master account title file, the agency will include this information in the transmittal letter described in paragraph (5)e of this Bulletin. The memorandum should include the account title, the 11-digit identification code, and the estimated budget authority and outlays for 1977 through 1982.

2. When entering amounts on the Long-Range Data and Update Form:

a. If the dollar amount for any year is to be changed, enter the correct amount in the space immediately below that number on the line marked "CORRECTIONS." If no change is needed, leave the space blank on the line below the number;

b. Show the amounts in thousands of dollars;

c. Specify the number of entries made on each "CORRECTIONS" line in the column titled "NUMBER OF CHANGES." Enter "0" if there are no changes.

3. The following resource measure abbreviations are used on the form:

- a. BA -- budget authority
- b. OUTLAYS -- outlays
- c. PROP LEG (BA) -- effect on budget authority of proposed legislation
- d. PROP LEG (O) -- effect on outlays of proposed legislation
- e. OFF REC -- offsetting receipts, either from intra-governmental transactions or proprietary receipts.
- f. PROP LEG (OR) -- effect of proposed legislation on offsetting receipts.

4. Proposed legislation, as used here, means "proposed for later transmittal under proposed legislation." Proposed legislation in the out-years should be treated in the same manner as in the budget year, i.e., the changes in budget authority and outlays attributable to proposed legislation should be identified separately in the line(s) for proposed legislation in all of the affected years. For example, in Exhibit 1 (Operating Expenses) the changes caused by the proposed legislation are reflected only in lines 140800 and 141000.

5. Generally, offsetting receipts have been aggregated at the agency level and split by subfunction and controllability code. These codes appear directly to the right of the resource measure abbreviation (e.g., "OFF REC") on each line of the listing.

LONG RANGE DATA AND UPDATE FORM

AS OF 03/16/77 17:43

PREPARED BY: John D. Examan 6
TELEPHONE: XXXXXX

NUMBER OF CHNGES	1977 CURRENT ESTIMATE	1978 CURRENT ESTIMATE	1979 CURRENT ESTIMATE	1980 CURRENT ESTIMATE	1981 CURRENT ESTIMATE	1982 CURRENT ESTIMATE
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NOTE: IF ANY AMOUNT FIELD ON THIS PRINTOUT IS CORRECT AS SHOWN, THEN LEAVE BLANK THE CORRESPONDING AMOUNT POSITION ON THE FOLLOWING DUPLICATE LINE LABELLED "CORRECTIONS". OTHERWISE, THESE CORRECT AMOUNTS WILL BE RE-ENTERED NEEDLESSLY. IF ANY AMOUNT IS INCORRECT AS SHOWN, THEN ENTER THE CORRECT AMOUNT IN THE CORRESPONDING POSITION ON THE FOLLOWING DUPLICATE LINE LABELLED "CORRECTIONS". EACH AMOUNT FIELD IS PRECEDED BY A FIELD CODE (I.E., 24, 26, 28, 30, 32, 34). THESE CODES ARE FOR KEYPUNCHING PURPOSES (THEY DO NOT REPRESENT BUDGET DATA AMOUNTS), THEREFORE, PLEASE IGNORE THEM. COLUMN 6 SHOWS THE SUBFUNCTION CODE FOR EACH LINE ITEM. FOLLOWING IT IS THE CONTROLLABILITY CODE. BE SURE TO INSERT AMOUNTS IN \$1000S AND FILL IN YOUR NAME AND PHONE NUMBER IN THE SPACE PROVIDED ABOVE. THANK YOU.

OPERATING EXPENSES	NUMBER OF CHNGES	1977 CURRENT ESTIMATE	1978 CURRENT ESTIMATE	1979 CURRENT ESTIMATE	1980 CURRENT ESTIMATE	1981 CURRENT ESTIMATE	1982 CURRENT ESTIMATE
LATEST ESTIMATES							
140700 BA (406)(265)	(24)	838400 (26)	875055 (28)	902000 (30)	925000 (32)	950000 (34)	975000
CORRECTIONS							
140700 BA (406)(265)	6 (24)	838500 (26)	875000 (28)	900000 (30)	920000 (32)	945000 (34)	970000
140800 PROP.LEG.BA(406)(265)	(24)	(24)	-700 (28)	(30)	(32)	(34)	
CORRECTIONS							
140800 PROP.LEG.BA(406)(265)	5 (24)	(26)	-600 (28)	-600 (30)	-600 (32)	-600 (34)	-600
LATEST ESTIMATES							
140900 OUTLAYS (406)(265)	(24)	835600 (26)	871755 (28)	895000 (30)	920000 (32)	945000 (34)	970000
CORRECTIONS							
140900 OUTLAYS (406)(265)	0 (24)	(26)	(28)	(30)	(32)	(34)	
141000 PROP.LEG.O (406)(265)	(24)	(26)	-700 (28)	(30)	(32)	(34)	
CORRECTIONS							
141000 PROP.LEG.O (406)(265)	2 (24)	(26)	(28)	(30)	(32)	-400 (34)	-600
TOTAL BA		838400	875055	902000	925000	950000	975000
TOTAL PROP.LEG.BA			-700				
TOTAL CUTLAYS		835600	871755	895000	920000	945000	970000
TOTAL PROP.LEG.O			-700				
TOTAL BA(NET)		838400	874355	902000	925000	950000	975000
TOTAL D(NET)		835600	871055	895000	920000	945000	970000
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS							
LATEST ESTIMATES							
141100 BA (406)(265)	(24)	236000 (26)	226600 (28)	226000 (30)	225000 (32)	225000 (34)	225000
CORRECTIONS							
141100 BA (406)(265)	0 (24)	(26)	(28)	(30)	(32)	(34)	
LATEST ESTIMATES							

ATTACHMENT B
Bulletin No. 77-10

INSTRUCTIONS FOR REPORTING
ESTIMATED SPENDOUT OF BALANCES OF CONTROLLABLE PROGRAMS

1. Purpose. This attachment provides instructions for preparing the report on estimated spendout of 1978 balances of controllable programs.

2. Coverage. This report will be prepared only by agencies that will have unexpended balances (the sum of obligated and unobligated balances) at the end of 1978 in excess of \$100 million. Additional detail will be required for:

a. bureaus with account balances at the end of 1978 of more than \$1 billion;

b. appropriation accounts (excepting the Department of Defense) with 1978 year-end balances of more than \$100 million;

c. accounts with balances of standby and back-up authority, i.e., authority that would not be used except to meet conditions or circumstances that may not occur.

When the detail required by 2a-c does not add to the agency total, an additional "all other" line will be provided to identify the remainder.

3. Reporting process. Affected agencies will be furnished a listing of accounts with unexpended balances of \$20 million or more, together with information from the January budget data file on estimates of unexpended balances and spendout from balances for 1976, TQ, 1977, and 1978. (OMB did not collect this information for the February budget revisions.)

Agencies will report, in the format of Exhibit 2, the current estimates of:

a. 1978 year-end unexpended balances for the accounts included on the listing furnished by OMB together with such additional entries necessary to effect Congressional action or inaction or Administration initiatives. Current estimates of unexpended balances for other items may be furnished if deemed necessary;

b. spending from those balances in fiscal years 1979, 1980, 1981, and 1982;

- c. balances remaining as of September 30, 1982; and
- d. balances lapsing during the period 1979 through 1982.

These estimates will be consistent with estimates or reestimates provided in accordance with Section 5 of this Bulletin.

4. Basis for the estimates. The report will relate to "controllable" programs only (i.e., those shown in the attached computer listing). Programs classified as "open-ended programs and fixed costs" in Summary Table 16 of the 1978 Budget are specifically excluded; therefore the report will not contain all balances, and will not agree with the totals shown in Summary Table 10.

For the purpose of this report, the term "spendout" means gross disbursements; it is not synonymous with the term "outlays" which means checks issued, net of receipts and reimbursements. It is essential that the spendout report disregard receipts and reimbursements and record gross disbursements against unexpended balances. This distinction is particularly important for revolving funds or accounts where reimbursements represent a major aspect of the financial program.

In estimating the amount of spendout of 1978 balances in each of the fiscal years 1979-1982, the following assumptions should be used:

a. Obligated balances carried forward at the end of 1978 generally will be spent out in 1979. Important exceptions are accounts having a long time lag between obligation and disbursement, e.g., construction and major procurement programs.

b. Unobligated balances will be obligated before new authority, and generally will be spent out within a year after the obligation is incurred, except as noted in paragraph 4a above. Estimates of the spendout of these balances can usually be based on assumptions concerning obligation levels in 1979 and each year thereafter. Important exceptions include some "earmarked" funds (i.e., dedicated revenues), which will have to be reviewed separately, and accounts with balances of:

- (1) funds that will lapse;

(2) authority to spend agency or public debt receipts; or

(3) contract authority.

5. Required information. Specific instructions for completing the report are set forth below.

Description (col. 1) -- This column should include the same stub entries contained in the computer listing provided by OMB, together with such additional entries as are deemed desirable.

January Budget estimate (col. 2) -- This column should contain the amounts provided in the computer listing.

Current estimate (col. 3) -- The latest estimate of 1978 balances is equal to the January budget estimate modified to reflect subsequent changes due to congressional action (or inaction), reestimates, or Administration initiatives. These amounts must be consistent with the effects of any 1977 or 1978 reestimates reported elsewhere for the Mid-Session Review. Assuming no changes in estimates of expiring authority and of receipts and reimbursements, changes in estimates of budget authority and outlays will have a direct effect on the estimate of the unexpended balance (i.e., an increase in budget authority will result in an equal increase in unexpended balances; while an increase in outlays will result in an equal decrease in unexpended balances).

Spendout from 1978 balances in 1979-82 (cols. 4-7) -- Enter the amount of spendout of 1978 year-end balances, estimated for each of the fiscal years 1979-1982.

1978 balances as of 9/30/82 (col. 8) -- The amount of 1978 balances remaining unexpended at the end of 1982 will include the balances of standby and back-up authority that will not be used in the foreseeable future. Expiring balances will be excluded. Footnotes will be included to explain any balances in excess of \$50 million, except for amounts applicable to standby or back-up authority.

1978 balances expiring in the 1979-1982 period (col. 9) -- Enter the amount of 1978 balances that will expire unused in any of the fiscal years 1979-1982. Footnotes will be included to explain any such balances over \$50 million. The amount in column 3 should be equal to the sum of the amounts in columns 4-9.

Exhibit 2
Bulletin No. 77-10

ESTIMATED SPENDOUT OF BALANCES OF CONTROLLABLE PROGRAMS.
FROM 1978 END-OF-YEAR UNEXPENDED BALANCES OF BUDGET AUTHORITY

(in millions of dollars)

<u>Description</u> (1)	<u>1978 ending balances</u>		<u>Spendout from 1978</u>				<u>1978</u>	<u>1978 balances</u>
	<u>January</u> <u>Budget</u> <u>estimate</u> (2)	<u>Current</u> <u>estimate</u> (3)	<u>balances in:</u>				<u>balances as of</u>	<u>expiring in the</u>
			<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>9/30/82</u>	<u>1979-82 period</u>
			(4)	(5)	(6)	(7)	(8)	(9)

EXHIBIT 3
Bulletin No. 77-10

Department of Government
Analysis of Changes
(in millions of dollars)

	1977		1978	
	Budget Authority	Outlays	Budget Authority	Outlays
February budget estimate.....	7,124	6,832	7,512	7,410
Effect of Administration revisions to proposed legislation.....	200	30	---	150
Reestimate of outlays in construction accounts.....	---	-75	---	45
April estimate.....	7,324	6,787	7,512	7,605
Congressional increase in Supplemental Appropriations Act, 1977..	120	80	---	40
Reestimate of offsetting receipts.	-60	-60	35	35
All other changes, net.....	---	-17	---	---
Current estimate.....	7,384	6,790	7,547	7,680

Note: Changes identified in this exhibit are examples only.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

Bulletin No. 77-9

April 19, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Zero-Base Budgeting

1. Purpose. The President, in a memorandum of February 14, 1977 (Attachment), asked each agency head to develop a zero-base budgeting system to be used in the preparation of the 1979 Budget. In accordance with the President's direction, these instructions provide guidance on the use of zero-base budgeting techniques for the preparation and justification of 1979 budget requests within each agency. Separate instructions will be issued in OMB Circular No. A-11 to advise agencies of budget materials to be submitted to OMB. The instructions in this Bulletin lay the foundation for agency budget submissions in September in accordance with Circular No. A-11.

2. Coverage. These instructions apply to all agencies in the executive branch whose budgets are subject to Presidential review (see OMB Circular No. A-11, section 11.1). These concepts and guidelines are a framework within which each agency should develop necessary procedures to meet its individual requirements. Agencies should insure that the fundamental characteristics of zero-base budgeting are retained. Agencies excluded from the coverage of this bulletin are encouraged to develop zero-base budgeting procedures.

3. Definition of terms.

a. Decision unit. The program or organizational entity for which budgets are prepared and for which a manager makes significant decisions on the amount of spending and the scope or quality of work to be performed.

b. Decision package. A brief justification document that includes the information necessary for managers to make judgments on program or activity levels and resource requirements. A series of decision packages (a decision package set) is prepared for each decision unit and

cumulatively represents the total budget request for that unit.

c. Consolidated decision packages. Packages prepared at higher management levels that summarize and supplement information contained in decision packages received from lower level units. Consolidated packages may reflect different priorities, including the addition of new programs or the abolition of existing ones.

d. Ranking. The process by which managers array program or activity levels (as shown in decision packages) in decreasing order of priority. This ranking process identifies the relative priority assigned to each decision package increment contained in the manager's budget request based on the benefits to be gained at and the consequences of various spending levels.

e. Minimum level. The program, activity, or funding level below which it is not feasible to continue the program, activity, or entity because no constructive contribution can be made toward fulfilling its objective. The minimum level:

-- may not be a fully acceptable level from the program manager's perspective; and

-- may not completely achieve the desired objectives of the decision unit.

f. Current level. The level that would be reflected in the budget if fiscal year 1978 activities were carried on at 1978 service or other output levels without major policy changes. A concept, not unlike current services, that nevertheless permits internal realignments of activities within existing statutory authorization. Estimates of personnel compensation and other objects of expenditure will be made in accordance with OMB Circular No. A-11.

4. The zero-base budgeting concept. Zero-base budgeting is a management process that provides for systematic consideration of all programs and activities in conjunction with the formulation of budget requests and program planning.

The principal objectives of zero-base budgeting are to:

-- involve managers at all levels in the budget process;

-- justify the resource requirements for existing activities as well as for new activities;

-- focus the justification on the evaluation of discrete programs or activities of each decision unit;

-- establish, for all managerial levels in an agency, objectives against which accomplishments can be identified and measured;

-- assess alternative methods of accomplishing objectives;

-- analyze the probable effects of different budget amounts or performance levels on the achievement of objectives; and

-- provide a credible rationale for reallocating resources, especially from old activities to new activities.

To accomplish these objectives zero-base budgeting requires these decision-makers to:

-- use "decision packages" as the major tool for budgetary review, analysis, and decisionmaking; and

-- rank program or activity levels in order of priority.

5. Benefits anticipated in the Federal Government. This new system can provide significant benefits at all levels throughout the Federal Government. These benefits include:

-- focusing the budget process on a comprehensive analysis of objectives, and the development of plans to accomplish those objectives;

-- providing better coordination of program and activity planning, evaluation, and budgeting;

-- expanding lower level management participation in program and activity planning, evaluation, and budgeting;

-- causing managers at all levels to evaluate in detail the cost effectiveness of their operations and specific activities--both new and old-- all of which are clearly identified;

-- requiring that alternative ways to meet objectives are identified;

-- identifying trade-offs between and within programs; and

-- providing managers at all levels with better information on the relative priority associated with budget requests and decisions.

Many agency management processes are aimed at providing some if not all of these same benefits. In many instances, however, such processes do not operate agencywide and the information relevant to the processes is not gathered, analyzed and reviewed in a systematic manner for all programs and activities. The value of zero-base budgeting is that it provides a process requiring systematic evaluation of the total budget request and all program objectives.

6. The zero-base budgeting process. Agencies should develop their internal zero-base budgeting procedures within the following framework.

a. Identification of objectives. An important early step in zero-base budgeting is the identification of objectives for all managers preparing and reviewing decision packages.

Top level agency management should be involved in setting objectives for lower level agency managers to:

(1) help ensure that appropriate guidance is furnished to managers throughout the agency;

(2) aid managers preparing decision packages in defining, explaining, and justifying their work to be performed and the associated resources; and

(3) aid top and intermediate level managers in understanding and evaluating the budget requests.

Program and organization objectives should be explicit statements of intended output, clearly related to the basic need for which the program or organization exists. The task of identifying objectives requires the participation by managers at all levels to determine the ultimate realistic outputs or accomplishments expected from a program or organization (major objectives) and the services or products

to be provided for a given level of funding during the budget year (short-term objectives).

However, lack of precise identification and quantification of such objectives does not preclude the development and implementation of zero-base budgeting procedures.

As objectives are identified, managers should simultaneously determine the key indicators by which performance and results are to be measured. Agencies should specify measures of effectiveness, efficiency, and workload for each decision unit. These measures can often be obtained from existing evaluation and workload measurement systems. If such systems do not exist, or if data are not readily available, desirable performance indicators should not be rejected because of apparent difficulties in measurement. Indirect or proxy indicators should be considered initially, while evaluation and workload systems are developed to provide the necessary data for subsequent budget cycles.

b. Identification of decision units. Another of the first steps in zero-base budgeting is the identification of the entities in the program or organization structure whose managers will prepare the initial decision packages. In all instances, the identification of the decision units should be determined by the information needs of higher level management. Agencies should ensure that the basic decision units selected are not so low in the structure as to result in excessive paperwork and review. On the other hand, the units selected should not be so high as to mask important considerations and prevent meaningful review of the work being performed. In general, the decision unit should be at an organizational or program level at which the manager makes major decisions on the amount of spending and the scope, direction, or quality of work to be performed. A decision unit normally should be included within a single account, be classified in only one budget subfunction, and to the extent possible, reflect existing program and organizational structures that have accounting support.

Very
important
para.

c. Preparation of decision packages. The decision unit manager performs two types of analyses based on the program and budget guidance received from higher level management. First, the manager examines alternative ways of accomplishing the major objectives. Such alternatives may require legislation and may have been identified and developed as a result of a major reexamination of the program or activity. In other instances the alternatives identified may not be fully developed, but will serve as a

basis for reexamining the program at a later date. In still other instances, the alternatives identified may be the first steps toward more significant changes that will take longer than one year to accomplish. Normally, the best alternative is then selected and used as the basis for the second type of analysis--the identification of different levels of funding, activity, or performance. The purpose of identifying these different levels is to provide information on: (1) where reductions from the total request may be made, (2) the increased benefits that can be achieved through additional or alternative spending plans, and (3) the effect of such additions and reductions. Again, legislation may be required to put into effect some level of funding or performance.

However, nothing in this process should inhibit or prohibit any decisionmaker from submitting, requesting, or reviewing any information needed for analyses and decisionmaking. For example, separate decision package sets may be prepared to examine the impact of different alternatives. Also, packages reflecting increased performance or funding levels may introduce alternative methods of accomplishment that were not feasible at a lower level.

The guidance received from higher level management may determine the specific service, performance, output, or funding levels and the objectives to be discussed. This helps to insure that information provided in the decision package is broken down and arrayed in a manner conducive to higher level review of issues concerning the decision unit and also covering more than one decision unit. However, in all instances the decision package set should include:

(1) A minimum level. In all instances, the minimum level should be below the current level (unless it is clearly not feasible to operate below the current level); and

(2) A current level (unless the total requested for the decision unit is below the current level).

The decision package set may also include, when appropriate:

(1) A level or levels between the minimum and current levels; and

(2) Any additional increments desired above the current level.

Proposed changes (supplementals, amendments, rescissions) in current year amounts should be shown in packages separate from the packages described above. However, the above packages should include any budget year effect of current year changes. New programs or activities (e.g., those resulting from new legislative authority or a new major objective) will be proposed in a separate decision package set. Proposals for abolition of current programs or activities normally will not be reflected in a decision package set. However, such proposals should be highlighted, as appropriate, in another part of the agency justification.

The decision unit manager prepares a decision package set that includes decision packages reflecting incremental levels of funding and performance, so the cumulative amount of all packages represents the total potential budget request of the decision unit. Each package shows the effect of that funding and performance level on meeting the assigned objectives. The decision packages serve as the primary tool for budgetary review, analysis, and decisionmaking, although additional material may also be made available or requested for review.

Generally, a series of packages should be prepared for all programs and activities where, through legislative or administrative means, there is discretion as to the amount of funds to be spent or the appropriate method or level of activity. This does not mean that where a spending level is mandatory under existing substantive law, only one level will be identified. There are many instances in which the decision on whether to propose legislative changes is made during the preparation of the budget. There are also instances in which changes in regulations or program administration can affect the amount of resources needed to carry out a mandatory program. In these instances, packages should be prepared that analyze the effects of different funding or performance levels or alternative methods of accomplishing the objectives. In any instance where there is clearly no discretion in the amounts of funds to be spent or the appropriate method or level of activity, at least one decision package should be prepared that summarizes the analysis and decisionmaking that resulted in that request. That decision package should support the conclusion that only one funding or activity level can be considered during the budget process.

d. Ranking of decision packages. Completed decision packages should be ranked initially by the decision unit manager. At higher management levels, the rankings of each

subordinate manager are reviewed and formed into a consolidated ranking. This consolidation process is illustrated in Exhibit 1. The ranking shows the relative priority that discrete increments of services or other outputs have in relation to other increments of services or other outputs. The process is explicitly designed to allow higher level managers the opportunity to bring their broader perspectives to bear on program priorities by allowing them to rank the decision packages and make program trade-offs.

Agencies may use whatever review and ranking techniques appropriate to their needs. However, the minimum level for a decision unit is always ranked higher than any increment for the same unit, since it represents the level below which the activities can no longer be conducted effectively. However, the minimum level package for a given decision unit need not be ranked higher than an incremental level of some other decision unit. A minimum level for a decision unit may be ranked so low in comparison to incremental levels of other decision units that the funding level for the agency may exclude that minimum level package. This would signify the loss of funding for that decision unit.

Decision packages or decision package sets may be prepared to examine the effect of alternative ways to meet an objective (see Section 6.c.). In these instances, only those decision packages that are part of the unit's request should be ranked. The other decision packages should accompany the submission, however, so higher review levels may examine the alternatives and have an opportunity to replace the requested packages with those representing an alternative thus far not recommended.

e. Higher level review. In all instances, the use of decision packages and priority rankings are the major tools for analysis, review, and decisionmaking. At each higher management level:

-- decision packages may be revised, deleted, or added; and

-- rankings submitted by subordinate managers may be revised.

(1) Consolidation of decision packages. In some small agencies, it may be desirable for each higher management level to review every decision package prepared by each decision unit. In other instances, however, higher

level management's decisionmaking needs may better be met by recasting all or some of the initial decision packages into a lesser number of consolidated decision packages. The consolidated packages would be based upon the more detailed information in the initial packages, but the information would be recast or reinterpreted in a broader frame of reference to focus on significant program alternatives or issues. The objectives may be redefined to reflect the higher level manager's program perspective.

This consolidation process may also be used to reduce what would otherwise be an excessive paperwork and review burden at higher levels. The agency head or his designee should determine at which review level(s) all or some of the packages will be consolidated into a lesser number of packages before submission to the next higher review level (see Exhibit 1). This consolidation should be based on natural groupings of subordinate decision units. Decision units in different budget subfunctions generally should not be consolidated. The consolidated package will summarize the more detailed information contained in the individual packages and identify the subordinate decision units covered.

In all instances a minimum level consolidated decision package will be prepared. This package may or may not include each of the minimum level packages from the decision package sets being consolidated. There will be instances when the preparation of a current level consolidated package is not feasible (e.g., when a decision package for a new program or activity is ranked higher than a current level package). When appropriate, there should also be a level or levels identified between the minimum and current levels.

(2) Type of review. The review can be conducted more effectively at each management level if the type of review is determined beforehand. This is especially important in the mid and higher levels in the agency, where the review workload may be significant, even with consolidation of packages. As a means of increasing the effectiveness of its review, higher level management may decide to limit its review of the higher-ranked packages to that necessary to provide a sound basis for ranking the packages and may choose to examine in more depth only the lower-ranked packages. The lower-ranked packages would be the first to be affected by an increase or decrease in the expected budgetary resources.

7. Preparation of materials. The following materials should be prepared for each decision unit.

a. Decision unit overview. The overview provides information necessary to evaluate and make decisions on each of the decision packages, without the need to repeat that information in each package. It should be at most two pages long, prepared in the format of Exhibit 2, and contain the following information:

(1) Identifying information. Include sufficient information to identify the decision unit, and the organizational and budgetary structure within which that decision unit is located. Each package should include the title of the appropriation or fund account that finances the decision unit, the account identification code (see OMB Circular No. A-11, section 21.3), and any internal agency code necessary.

(2) Long-range goal. When appropriate, identify the long-range goal of the decision unit. Goals should be directed toward general needs, to serve as the basis for determining the major objective(s) undertaken to work towards that goal.

(3) Major objective(s). Describe the major objectives of the decision unit, the requirements these objectives are intended to satisfy and the basic authorizing legislation. Major objectives normally are of a continuing nature or take relatively long periods to accomplish. Objectives should be measurable and should be those that program managers employ; they should form the basis for first determining and subsequently evaluating the accomplishments of programs or activities.

(4) Alternatives. Describe the feasible alternative ways to accomplish the major objectives. Identify which of the alternatives represents the method proposed for the budget year. Briefly explain how the approach selected contributes to satisfying the major objectives and the rationale for not pursuing other alternatives. This may include a discussion of organizational structure and delivery systems; longer-range cost factors; and when applicable, the unique aspects and need for the program that cannot be filled by State or local governments or the private sector (particularly for any enlarged or new proposed action).

(5) Accomplishments. Describe the progress of the decision unit toward meeting the major objectives. This section should include both quantitative and qualitative measures of results.

b. Decision packages. Each (consolidated) decision package should be no more than two pages long, be prepared in a format similar to Exhibit 3, and contain at least the following information:

(1) Identifying information. This information should include organizational identification (agency, bureau), appropriation or fund account title and identification number, specific identification of the decision unit, the package number, and the internal agency code.

(2) Activity description. Describe the work to be performed or services provided with the incremental resources specified in the package. This section should include a discussion and evaluation of significant accomplishments planned and the results of benefit/cost and other analyses and evaluations that will contribute to the justification of that level.

(3) Resource requirements. Include appropriate information, such as obligations, offsetting collections, budget authority or outlays, and employment (full-time permanent and total), for the past, current, and budget years for the upcoming budget. The increment associated with each package should be listed, along with the cumulative totals for each measure used in that package, plus all higher ranked packages for that decision unit. At an appropriate level in the process, budget authority and outlay amounts for the four years beyond the budget year should also be included, in accordance with criteria in OMB Circular No. A-11.

(4) Short-term objective. State the short-term objectives (usually achievable within one year), that will be accomplished and the benefits that will result with the increment specified and the cumulative resources shown in the package. The expected results of the work performed or services provided should be identified to the maximum extent possible through the use of quantitative measures.

(5) Impact on major objective(s). Describe the impact on the major objective(s) or goals of both the incremental and the cumulative resources shown in the package.

(6) Other information. Include other information that aids in evaluating the decision package. This should include:

-- explanations of any legislation needed in connection with the package;

-- the impact or consequences of not approving the package;

-- for the minimum level package, the effects of zero-funding for the decision unit;

-- for packages below the current level, an explanation of what now is being accomplished that will not be accomplished at the lower level; and

-- the relationship of the decision unit to other decision units, including the coordination that is required.

c. Ranking sheet. Each review level will prepare a ranking sheet to submit to the next higher review level. This ranking sheet should generally contain the information shown in Exhibit 4 for the budget year.

In instances (e.g., revolving funds) where budget authority and net outlays are not a factor in reflecting the appropriate or priority level of performance, managers should use other measures (e.g. total obligations, employment).

8. OMB review and consultation. As an important element of initiating zero-base budgeting, agencies are required this year to submit for OMB and Presidential review their proposals for:

-- the program, activity, or organizational level to be the basis of the (consolidated) decision packages that will form the agency budget submission to OMB;

-- current and/or budget year issues that should be highlighted through either particular decision packages or, when decision packages are not appropriate, through issue

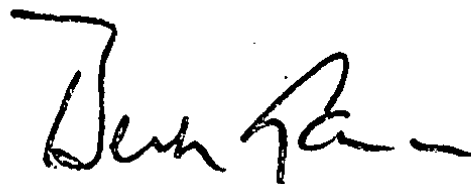
papers that ultimately tie in to one or several decision packages; and

-- longer-range issues for which agencies will initiate extensive evaluations.

This identification of issues will play an integral role in OMB's spring review of agency programs, activities, and plans. Policy guidance letters to the agencies regarding the preparation of the fall budget submission will be based in part on this information.

OMB representatives will contact the agencies shortly and request these proposals.

9. Inquiries. Should additional discussion be necessary, agencies should contact their OMB budget examiner.



Bert Lance
Director

Attachment

DECISION PACKAGE RANKING AND CONSOLIDATION PROCESS ILLUSTRATED

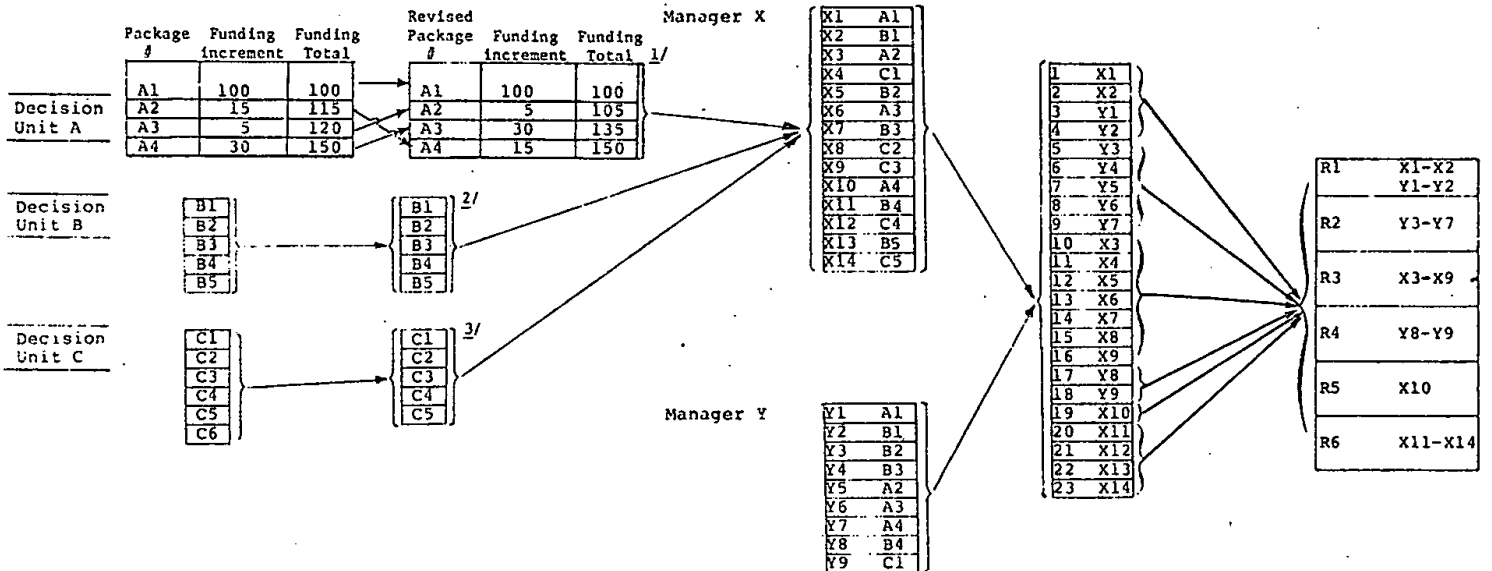
Managers A, B, and C each rank packages for their units and send to Manager X

Manager X receives packages and evaluates and ranks them within each unit

Manager X ranks packages for units A, B, and C against each other, and sends to Manager R

Manager R evaluates packages from Managers X and Y, and then ranks them against each other

Manager R prepares some consolidated decision packages before submitting budget request to next higher level



1/ Higher level manager reorders the proposed priorities of the subordinate decision unit managers. The packages may be revised by either the initial decision unit manager or the higher level manager.
 2/ Higher level manager accepts proposed priorities of the subordinate manager.
 3/ Higher level manager accepts proposed priorities of the subordinate manager, but chooses not to propose funding of lowest priority package.



Bulletin No. 77-9
Exhibit 2

DECISION UNIT OVERVIEW
Department of Health, Education, and Welfare
Mental Health Administration
Federal Support of Community Mental Health Services
Mental Health: 75-0001-0-1-550

Goal.

To ensure needy citizens access to community based mental health services, regardless of ability to pay. Services should be of high quality, provided in the least restrictive environment, and in a manner assuring patients' rights and dignity.

Major objective.

To assist in the establishment and operation of a nationwide network of 1,200 qualified community mental health centers (CMHCs) by 1984 to ensure availability and accessibility of services to residents of each mental health catchment area.

Current method of accomplishing the major objectives.

Grants are made to public and nonprofit entities to plan and operate community mental health center programs. The planning grants are one-time grants, not to exceed \$75,000 each. The operating grants are for eight-year periods with a declining Federal matching rate.

Alternatives.

1. Consolidate Federal funding for community mental health services and other categorical health service programs into a single formula grant to the States.
2. Consolidate Federal funding for community mental health services and other community-based inpatient and outpatient services--as well as institutionally based short-term acute and long-term care services--for the mentally ill and mentally retarded.

These alternatives are not being pursued because the States thus far have not been able to ensure that funds will be targeted into high priority areas. The Secretary believes the Federal Government must have the ability to control the funding.

3. Provide for mental health services coverage through the national health insurance proposal. This alternative is not presently viable because passage of the national health insurance act is not near. Intensive study is now being directed toward this alternative for possible consideration next year.

Accomplishments.

Since the establishment of the CMHC program in the mid-1960's, 670 CMHC's have received Federal funding of nearly \$2.0 billion. In 1977, nearly 600 centers were operational, covering 45% of the population (90 million people), and providing treatment services to 2 million individuals annually.

In 1977, 450 centers received Federal grant support and 100 centers completed the eight-year Federal grant cycle. To qualify for an operational grant, P.L. 100-63, requires centers to provide the following services on a 24 hour a day, seven day a week basis:

1. Inpatient hospitalization;
2. Outpatient treatment and counseling;
3. Partial hospitalization as an alternative to full-time hospitalization;
4. 24-hour emergency services by telephone or on a walk-in basis;
5. Consultation and education services;
6. Services to children;
7. Services to the elderly;
8. Screening services to the courts and other agencies;
9. Follow-up care for former full-time patients from a mental health facility;
10. Transitional services for same;
11. Alcoholism and alcohol abuse program and drug addiction and abuse program.

Package 1 of 4 (minimum level)

DECISION PACKAGE
Department of Health, Education and Welfare
Mental Health Administration
Federal Support of Community Mental Health Services
Mental Health: 75-0001-0-1-550

Activity Description:

Continue grants only to the 400 CMHC's currently receiving Federal support, until each CMHC's eight-year grant cycle is completed.

Resource Requirements: Dollars (in thousands)

	1977	1978	1979		1981	1982	1983
			This Package	Cumulative Total			
Planning grants (\$)	1,000	1,000	0	0			
Operating grants (\$)	97,000	147,000	120,000	120,000			
Total obligations	98,000	148,000	120,000	120,000			
Budget authority	98,000	148,000	120,000	120,000			
Outlays	97,000	145,000	119,000	119,000			
Five-year estimates							
Budget authority	120,000	100,000	80,000	60,000	40,000		
Outlays	119,000	98,000	79,000	59,000	40,000		

Short-term objective:

To ensure in 1979 access to qualified comprehensive mental health services to 45% of the population (this results in treatment of about 2 million patients).

Impact on major objectives:

The major objective of 1200 qualified CMHC's by 1988 would not be met if this short term objective were continued. It is unlikely that any net increase in qualified CMHC's would result at this level because few communities have the resources to develop a qualified program. It is estimated that for each community that would develop a qualified CMHC, an existing qualified CMHC would cease to qualify because of cutbacks in service provided due to tight funds. The impact of continuing this level objective follows:

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Number of public and non-profit CMHC's	700	710	720	730	740	750	760	770
Number of CMHC's providing comprehensive services, as now defined	550	600	600	600	600	600	600	600
Number of CMHC's receiving grants	400	450	400	350	300	250	200	150
Percent of population covered	43	45	45	45	45	45	45	45
Percent of probable patients covered	45	50	50	50	50	50	50	50

Other Information:

Continuing grants to the 450 CMHC's currently receiving Federal support until each CMHC's eight-year cycle is completed is the minimum level because (a) the government has an eight-year contract with each CMHC, and (b) no new CMHC's will receive any grants. If zero-funded, the government would be subject to legal action brought by CMHC's.

This level would cease to encourage communities to develop CMHC's because of the (a) lack of planning grant funds and (b) lack of operational grant funds, thus negating the potential growth in the number of qualified CMHC's.

Only 57% of the high priority catchment areas would receive qualified CMHC coverage.

Package 2 of 4

DECISION PACKAGE
Department of Health, Education, and Welfare
Mental Health Administration
Federal Support of Community Mental Health Services
Mental Health: 75-0001-0-1-550

Activity Description

Continue grants to a total of 450 Community Mental Health Centers (CMHC) which reach the end of its eight-year cycle for eligibility, provide an eight-year grant to a newly qualified CMHC.

Resource Requirements: Dollars in thousands.

	1977	19781979.....		
			This Package	Cumulative Total	
Planning grants (\$)	1,000	1,000	0	0	
Operating grants (\$)	97,000	147,000	20,000	140,000	
Total obligations	<u>98,000</u>	<u>148,000</u>	<u>20,000</u>	<u>140,000</u>	
Budget authority	98,000	000	20,000	140,000	
Outlays	97,000	145,000	19,000	138,000	
Five year estimates	1979	1980	1981	1982	1983
Budget authority	140,000	142,000	143,000	145,000	146,000
Outlays	138,000	141,000	142,000	144,000	145,000

Short-term objective.

To ensure in 1979 access to qualified comprehensive mental health services to 49% of the population (this results in treatment of about 2.1 million patients).

Impact on major objectives.

Even without the planning grants, many communities will be encouraged to develop CMHCs because of the possibility of receiving the operating grants. However, the major objective would not be met at this level of funding. It would take until about 1990 to establish 1200 qualified CMHCs. The impact of continuing this level follows:

	<u>1977</u>	<u>1978</u>	<u>This package</u>	<u>1979 cumulative</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Number of public and nonprofit CMHCs	700	710	40	750	800	850	900	950	1,000
Number of CMHCs providing comprehensive services, as now defined	550	600	50	650	700	750	800	850	900
Number of CMHCs receiving grants	400	450	50	450	450	450	450	450	450
Percent of population covered	43	45	4	49	58	65	75	80	85
Percent of probable patients covered	45	50	4	54	64	69	80	84	88

Other information.

By 1982, 70% of the high priority catchment areas will have a qualified CMHC. Assuming the objective of CMHCs is desirable even by 1990, stretching out the program past the major objective date of 1984 will increase total program costs from \$3.6 billion to \$4.3 billion due to estimated increases in service costs.

Package 3 of 4 (Current level)

DECISION PACKAGE
 Department of Health, Education, and Welfare
 Mental Health Administration
 Federal Support of Community Mental Health Services
 Mental Health: 75-0001-0-1-550

Activity Description:

Fund 50% more newly qualifying CMHC's. That is, for every two CMHC's whose eight-year eligibility period ends, fund three newly qualifying CMHC's.

Resource Requirements: (Dollars in thousands)

	1977	1978	1979		
			This Package	Cumulative Total	
Planning grants (\$)	1,000	1,000	0	0	
Operating grants (\$)	97,000	147,000	10,000	150,000	
Total obligations	98,000	148,000	10,000	150,000	
Budget authority	98,000	148,000	10,000	150,000	
Outlays	97,000	145,000	10,000	148,000	
Five year estimates	1979	1980	1981	1982	1983
Budget authority	150,000	162,000	172,000	183,000	194,000
Outlays	148,000	161,000	171,000	182,000	193,000

Short-term Objective:

To ensure in 1979 access to qualified comprehensive mental health services to 51% of the population (this results in treatment of about 2.2 million patients).

Impact on Major Objectives:

	1977	1978	this Pkg.	1979 Cum.	1980	1981	1982	1983	1984
Number of public and non-profit CMHC's	700	710	25	775	850	925	1,000	1,075	1,150
Number of CMHC's providing comprehensive services, as now defined	550	600	25	675	750	825	900	975	1,050
Number of CMHC's receiving grants	400	450	25	475	500	525	550	575	600
Percent of population covered	43	45	6	51	65	75	80	85	90
Percent of probable patients covered	45	50	6	56	66	77	83	87	90

Other information:

By 1982 95% of the high priority catchment areas will have a qualified CMHC. If stretched out from 1984 to 1986, 3.8 billion.

Package 4 of 4

DECISION PACKAGE
Department of Health, Education, and Welfare
Mental Health Administration
Federal Support of Community Mental Health Services
Mental Health: 75-0001-0-1-550

Activity Description:

For every CHMC whose eight year eligibility periods ends, fund two newly qualifying CMHC's.

Resource Requirements: Dollars in thousands

	1977	1978	1979		
			This Package	Cumulative Total	
Planning grants (\$)	1,000	1,000	0	0	
Operating grants (\$)	97,000	147,000	10,000	160,000	
Total obligations	98,000	148,000	10,000	160,000	
Budget authority	98,000	148,000	10,000	160,000	
Outlays	97,000	145,000	10,000	158,000	
Five year estimates	1979	1980	1981	1982	1983
Budget authority	160,000	172,000	183,000	193,000	204,000
Outlays	158,000	170,000	182,000	192,000	203,000

Short-term Objectives

To ensure in 1979 access to qualified comprehensive mental health services to 53% of the population (this results in treatment of about 2.3 million patients).

Impact on Major Objectives

	1977	1978	this pkg.	1979 cum.	1980	1981	1982	1983	1984
Number of public and non-profit CMHC's	700	710	25	800	900	1,000	1,100	1,200	1,300
Number of CHMC's providing comprehensive services, as now defined	550	600	25	700	800	900	1,000	1,100	1,200
Number of CMHC's receiving grants	400	450	25	500	550	600	650	700	750
Percent of population covered	43	45	2	53	75	80	84	93	100
Percent of probable patients covered	45	50	2	58	77	82	85	93	100

The major objective will be met at this level of funding.

Other Information

By 1982 100% of the high priority catchment areas will have a qualified CMHC. Total program cost by 1984

BULLETIN NO. 77-9
EXHIBIT 4

RANKING SHEET

Department of Government
Fiscal year 1979

(Other identifying information)

Date: July 17, 1977

<u>Rank</u>	<u>Decision Package</u>	<u>BA</u>	<u>Outlays</u>	<u>Cumulative</u>	
				<u>BA</u>	<u>Outlays</u>
1	A1	924	901	924	901
2	B1	800	785	1,724	1,686
3	A2	121	121	1,845	1,807
4	C1	0	0	1,845	1,807
5	B2	30	30	1,875	1,837
6	A3	0	0	1,875	1,837
7	B3	30	30	1,905	1,867
8	C2	0	0	1,905	1,867
9	C3	0	0	1,905	1,867
10	A4	22	22	1,927	1,889
11	B4	11	11	1,938	1,900
12	C4	0	0	1,938	1,900
13	B5	30	30	1,968	1,930
14	C5	0	0	1,968	1,930
15	C6	0	0	1,968	1,930

THE WHITE HOUSE
WASHINGTON

February 14, 1977

MEMORANDUM FOR THE HEADS OF
EXECUTIVE DEPARTMENTS AND AGENCIES

During the campaign, I pledged that immediately after the inauguration I would issue an order establishing zero-base budgeting throughout the Federal Government. This pledge was made because of the success of the zero-base budget system adopted by the State of Georgia under my direction as Governor.

A zero-base budgeting system permits a detailed analysis and justification of budget requests by an evaluation of the importance of each operation performed.

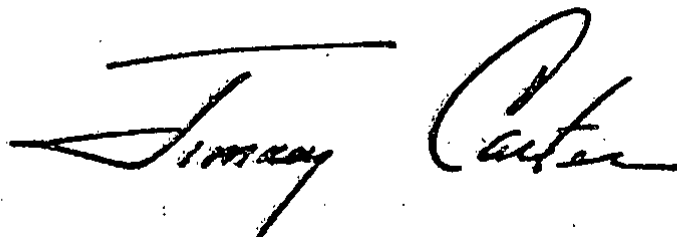
An effective zero-base budgeting system will benefit the Federal Government in several ways. It will

- . Focus the budget process on a comprehensive analysis of objectives and needs.
- . Combine planning and budgeting into a single process.
- . Cause managers to evaluate in detail the cost-effectiveness of their operations.
- . Expand management participation in planning and budgeting at all levels of the Federal Government.

The Director of the Office of Management and Budget will review the Federal budget process for the preparation, analysis, and justification of budget estimates and will revise those procedures to incorporate the appropriate techniques of the zero-base budgeting system. He will develop a plan for applying the zero-base budgeting concept to preparation, analysis, and justifications of the budget estimates of each department and agency of the Executive Branch.

I ask each of you to develop a zero-base system within your agency in accordance with instructions to be issued by the Office of Management and Budget. The Fiscal Year 1979 budget will be prepared using this system.

By working together under a zero-base budgeting system, we can reduce costs and make the Federal Government more efficient and effective.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned in the center-right of the page.

OMB BULLETIN NO. 77-8

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(R+E Staff)



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

BULLETIN NO. 77-8

April 4, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Resources for Program Evaluation in Fiscal Year
1977

1. Purpose. This Bulletin provides instructions for the submission of information concerning the resources for program evaluation provided for in fiscal year 1977.

2. Background. The Office of Management and Budget has determined the need to collect and analyze information on the level of Federal expenditures and staffing devoted to program evaluation activities. The information requested by this Bulletin is vital to an understanding of the magnitude of evaluation resources and the ways in which these resources contribute to the achievement of national goals, agency missions, and program objectives. Moreover, increasing concern about the adequacy of data on program performance makes it necessary to assure that accurate information can be provided to the Congress and the public on the actual level of program evaluation expenditures.

3. Coverage. These instructions apply to each executive department and independent agency with more than 800 authorized full-time permanent employees.

4. Definition. For purposes of this Bulletin, program evaluation means the formal assessment, through objective measurements and systematic analyses, of the manner and extent to which Federal programs (or their components) have achieved or are achieving their objectives, or are producing other significant effects of either a desirable or undesirable character, in order to assist future policy and management decisions.

a. The following will be considered as Federal program evaluation activities for the purpose of this Bulletin:

(1) Formal studies, surveys, and data analyses for the purpose of determining the effectiveness, efficiency, or impact of a national or regional program.

(2) Systematic assessment of demonstration programs or projects which are expected to have major implication for programs of national or regional scope; except that evaluation activities which are an intrinsic part of the program operations or management should not be reported.

(3) Formal studies, surveys, and data analyses for the purpose of assessing program management processes, procedures, intervention techniques, workload distribution, or productivity.

(4) Assessment and development of program designs to assure that programs, once operational, can be successfully evaluated.

(5) Design, development, and field testing of new program evaluation methodologies.

(6) Synthesis and further analysis of results obtained by several previous program evaluation efforts.

(7) Collection of initial data to help in evaluation design and provide a baseline for subsequent evaluations.

b. The following will not be considered as program evaluation activities for the purposes of this Bulletin.

(1) Design, development, and operation of general data systems or management information systems.

(2) Continuing collection of routine data and general purpose statistics.

(3) Analysis of existing or proposed policies where no programs yet exist (even though authorized) for purposes of appraising the likely costs and effects of feasible alternatives. Although such analyses are often called "evaluations," they are prospective in character; whereas program evaluation is retrospective, aimed at determining what has actually occurred as the result of past program actions.

(4) Basic research and studies intended to increase or foster general knowledge development, but which are not

expected to be used specifically and primarily in policy and management decisions.

(5) Routine, day-to-day monitoring of program operations which is an intrinsic part of program administration.

c. It is recognized that the present extensive variation among Federal agencies and programs will require case-by-case judgments to determine the applicability of the above criteria to agency "evaluation" activities.

5. Reporting Requirements. Departments and agencies should submit a report in accordance with the attached instructions and exhibit to OMB, attention: Evaluation and Program Implementation Division by April 25, 1977. This is a one-time report.

6. Rescission. This Bulletin is rescinded following receipt of the April 25, 1977 report.

7. Inquiries. Inquiries and requests for assistance should be directed to the Evaluation and Program Implementation Division, Office of Management and Budget. (395-4726 or 395-5642.)



Bert Lance
Director

Attachment

INSTRUCTIONS

An original and one copy of the report on program evaluation resources will be prepared on letter size sheets (8x10-1/2) and submitted in the format of the attached exhibit, as prescribed below.

Date - Enter the date of preparation

Contact - Enter the name and telephone number of an individual who can respond to questions relative to the information provided.

Part I. RESOURCES SCHEDULE:

Department/Agency/Bureau - Enter the reporting department or independent agency. In the case of cabinet departments, enter each bureau or comparable organizational unit for which separate evaluation resources (funds and personnel) can be identified, a consolidated line entry for any other organizational units (if applicable), and a line entry for the total department or agency. At least one space should be left between each line entry.

Staff years - Enter the estimated staff-years for full-time permanent personnel who devote more than fifty percent of their time to the program evaluation activities outlined in paragraph 4a of this Bulletin. This includes full-time government personnel engaged in monitoring or directing such activities by contractors or grantees.

Salaries - Enter the estimated obligations for personnel compensation related to the staff-year entry.

Personnel Benefits - Enter the estimated obligations for personnel benefits associated with the salary figure.

Contracts/Grants - Enter the estimated obligations to be incurred for evaluation contracts or grants, or, in the case of multi-purpose agreements, the obligations for those portions of the contracts or grants that are directly related to the program evaluation activities described in paragraph 4a of this Bulletin.

Other Expenses - Enter the total obligations estimated for other administrative expenses directly related to the performance, commissioning, or oversight of the activities

described in paragraph 4a of this Bulletin. "Other expenses" would include obligations for travel and transportation of persons, transportation of things, rent, communications and utilities, printing and reproduction, other services (such as ADP services), supplies and materials, and equipment. Significant obligations for any of these "other expenses" should be briefly identified in the narrative.

Total - Enter the total estimated FY 1977 obligations for salaries, personnel benefits, contracts/grants, and other expenses. Note: All obligations are to be entered in thousands of dollars.

Part II. NARRATIVE STATEMENT

A brief explanatory statement should describe in general terms the program evaluation activities being undertaken and the objectives toward which they are directed. It should highlight significant increases or decreases in funding levels from the current fiscal year to FY 1978 and major policy or strategy changes expected to occur. Emphasis should be placed on the expected use of evaluation information in the agency resource allocation and other decision processes. In most instances, the narrative for individual bureaus should be restricted to two or three paragraphs and the departmental or agency summary should not exceed two pages.

EXHIBIT
Bulletin No. 77-8

REPORT ON FY 1977 PROGRAM EVALUATION RESOURCES
(Dollars in Thousands)

Date: _____

Contact: _____

Part I. RESOURCE SCHEDULE

<u>Department/Agency/Bureau</u>	<u>Staff Years (FTP)</u>	<u>Salaries (\$)</u>	<u>Personnel Benefits (\$)</u>	<u>Contracts Grants (\$)</u>	<u>Other Expenses (\$)</u>	<u>TOTAL (\$)</u>
Department of Government (Report breakdown of major bureau or other organiza- tional unit for cabinet departments only)						

PART II. NARRATIVE STATEMENT

OMB BULLETIN NO. 77-7

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D. C. 20503

BULLETIN NO. 77-7

March 3, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Limitation on hiring and revision of employment ceilings

1. Purpose. This Bulletin provides guidance with respect to the limitation on hiring ordered by the President in his memorandum of March 1, 1977. This guidance is issued pending establishment of new employment ceilings for full-time permanent and total Federal civilian employment for fiscal years 1977 and 1978. It also provides instructions for appeals in a limited number of situations where exceptions to the hiring limitation may be granted.

2. Background. In a recent fireside talk to the American people, President Carter reaffirmed his Administration's commitment to reform and reorganize the Federal Government and to bring its growth under control. As part of this effort, he promised to put a ceiling on the number of Federal employees.

In his memorandum of March 1, the President stated that, preparatory to establishing new employment ceilings, a thorough evaluation of personnel requirements would be made to determine the lowest number needed to operate the Government effectively. In the interim, the President has ordered that a limitation on hiring be imposed so as to maximize this Administration's flexibility in meeting personnel requirements within the new ceilings. This procedure accepts the consensus of the advice submitted by the Cabinet in response to the President's February 11 request for views on alternative employment control systems.

3. Limitation on hiring. Pursuant to the President's memorandum, each agency will establish controls to limit the number of appointments to full-time permanent positions to not more than 75 percent of the number of its vacancies occurring after February 28, 1977 (i.e., agency full-time permanent hiring is restricted to on board strength as of

February 28, 1977, less 25% of vacancies occurring thereafter).

Except for the exemptions listed below, this limitation applies to all new hires of Federal civilian personnel and to transfers of personnel between Executive Branch agencies. The limitation is effective immediately and will remain in effect until new employment ceilings have been established for fiscal years 1977 and 1978.

Where necessary, personnel reallocations should be made within agencies to meet needs of highest priority and to assure that vital and basic services are not interrupted. Contracting with firms and institutions outside the Government will not be used to alleviate the effect of this limitation. Nor will persons be hired on a part-time or temporary basis as a substitute for full-time permanent employees.

4. Standard exemptions. To preserve the continuity of Government, the following exemptions to the limitation on hiring are permitted:

a. at the discretion of the agency head, hiring necessitated by emergency situations involving the safety of human life and protection of property,

b. filling of positions under programs that are presently exempt from employment ceilings,

c. hiring for positions required to be filled under specific provisions explicitly stated in law (This does not include interpretations of laws, e.g., appropriation acts, that do not contain requirements for specific employment levels.),

d. hiring in accordance with firm commitments made in writing by agency personnel officers, prior to the effective date of the limitation,

e. hiring by the U.S. Postal Service,

f. reassignments of personnel within an agency,

g. executive level appointments,

h. appointments to positions of a confidential or policy-making character (established under Schedule "C" or as "noncareer executives" by the Civil Service Commission),

i. shifting of employees from one agency to another because of a transfer of functions resulting from Presidential reorganization action, and

j. hiring of employees who receive no compensation (if otherwise permitted in law).

5. Appeal of hiring limitation. In a very limited number of cases, additional exemptions may be granted if the Office of Management and Budget (OMB) determines that such action is necessary to preserve the continuity of Government by assuring that essential services are provided and that fundamental needs are met. When an agency head believes that circumstances in an agency warrant such an exception, an appeal may be made in writing to the Director of the OMB fully justifying the need for additional personnel and explaining why intra-agency reallocation is not feasible.

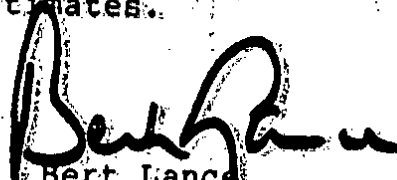
6. Revision of employment ceilings. As is noted above, in his March 1 memorandum, President Carter stated that existing employment ceilings for 1977 and 1978 will be re-evaluated to determine the lowest number needed to operate the Government efficiently and effectively. OMB will undertake this re-evaluation jointly with the agencies. Informal discussions between OMB and the agencies will be initiated as soon as possible. It is anticipated that this review will be completed and that agencies will be advised of their new ceilings by early April. At that time, the Government-wide limitation on hiring will be withdrawn.

To ensure compliance with the new ceilings and to permit some flexibility in seasonal hiring, agencies will develop target levels for full-time permanent and total employment as of June 30, 1977 and March 31, 1978. These targets will be submitted to OMB no later than Friday, April 22, 1977. Once agreed upon, they will be treated as employment ceilings against which agency efforts to reach the new year-end ceilings will be measured.

Any reductions in current employment levels will be achieved through attrition. Thus, some agencies may have to continue to curtail hiring once the Government-wide limitation has been withdrawn in order to comply with new employment ceilings.

7. Effective dates. The instructions in this Bulletin are effective at once and will remain in effect until September 30, 1978.

8. Inquiries. Questions regarding the instructions in this Bulletin will be addressed to the OMB representatives in charge of the agency's budget estimates.



Bert Lance
Director

OMB Bulletin No. 77-6

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OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

BULLETIN NO. 77-6

February 7, 1977

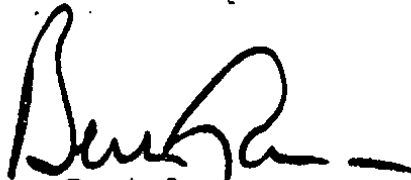
SUBJECT: Monitoring Federal outlays

1. Purpose. This Bulletin temporarily revises instructions contained in OMB Circular No. A-112 that relate to the submission of reports on Federal outlays. These instructions apply to each department or agency required to prepare a monthly outlay plan. (See Attachment to OMB Circular No. A-112.)

2. Reporting Requirements. The revision of the January Budget during the next few weeks may significantly affect outlay estimates in some agencies. As a result, the outlay report normally due one week after transmittal of the budget to Congress will not be required. However, the April 1 update will be due one month earlier than usual -- on March 1, 1977.

The update report due on March 1 should show a cumulative total of actual outlays through January, 1977 and monthly outlay estimates from February through September, 1977. Agencies should explain significant differences between these outlay amounts and the current year amounts contained in the 1978 Budget as amended by the new Administration.

This change in reporting requirements pertains only to Fiscal Year 1977.


Bert Lance
Director

OMB Bulletin No. 77-5

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

BULLETIN NO. 77-5

January 31, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Review of previous agency legislative
recommendations

1. Purpose. This Bulletin establishes procedures for the clearance (or reclearance) of draft bills and agency reports on pending legislation which were submitted by agencies to the Office of Management and Budget (OMB) prior to January 20, 1977.

2. Background. Under normal procedures set forth in Office of Management and Budget Circular No. A-19, agencies transmitted to OMB draft bills and reports on pending legislation which were intended for submission to the 95th Congress and were received in OMB prior to January 20, 1977. Many of the draft bills and reports were cleared in accordance with the policies of the previous Administration and were sent to the 95th Congress by the agencies concerned before January 20, 1977. Others were still pending in OMB on that date.

3. Review of proposals. Applying the policies and objectives of the present Administration, agencies are requested to review the draft bills and reports which they transmitted to OMB prior to January 20, 1977, and to identify (a) the items which they wish to continue to support, (b) those which they wish to continue to support with revisions, and (c) those from which they wish to withdraw support. This review should take into account the response to the President's memorandum of January 22, 1977, to the Secretaries of Departments regarding submission of their legislative programs, and the results of the revision of the 1978 Budget in accordance with OMB Bulletin No. 77-4.

4. Preparation and submission of lists. Agencies should prepare the following lists of draft bills and reports and submit them (an original and four copies) to the Assistant Director for Legislative Reference, OMB, as promptly as possible:

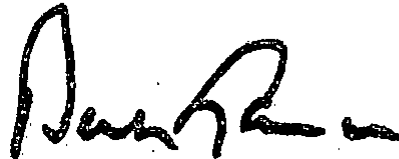
a. A list of draft bills and reports which they wish to continue to support unchanged. With respect to items which were transmitted to the 95th Congress prior to January 20, 1977, this list will be treated as an agency request for reclearance. With respect to items still pending in OMB on that date, the list will identify those items on which the agencies still wish to receive advice.

b. A list of draft bills and reports which they wish to continue to support, but with changes. The items on this list should be resubmitted to OMB for clearance in the usual manner.

c. A list of draft bills and reports from which they wish to withdraw support.

The agencies may send these lists to OMB in installments, and so indicate, if that will serve to expedite clearance, reclearance, or other appropriate action.

The agencies will be given advice which reflects the views of the present Administration.



Bert Lance
Director

OMB BULLETIN NO. 77-4

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

BULLETIN NO. 77-4

January 24, 1977

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Revisions to the 1978 Budget

1. Purpose. This Bulletin provides instructions for revising the 1978 Budget (transmitted to the Congress on January 17, 1977) to reflect the objectives and priorities of the new Administration under guidance from President Carter.

2. Background. In his January 24, 1977, budget policy memorandum to the heads of executive departments and agencies, President Carter requested agencies to make a prompt review of the budget requests sent to the Congress by the outgoing Administration. In addition, as requested by the President, the Director of the Office of Management and Budget (OMB) has furnished policy guidance to each agency for revising the 1978 Budget, including specific suggestions for some program areas.

Because of the time constraints associated with the Congressional budget process, it will be necessary to transmit a revised 1978 Budget to the Congress in mid-February. Therefore, the President has asked that proposed budget changes for fiscal years 1977 and 1978 be limited so far as possible to the programs identified and covered by policy guidance in OMB's letter to your agency.

3. Coverage. The material required under this Bulletin will be submitted by all agencies that have received budget guidance from OMB on the revision of specific program areas in the 1978 Budget, and by all those agencies who recommend other budget changes for which the reasons are compelling and the action significant.

4. Material required. Upon receipt of the budget guidance letter from OMB, each agency will review its budget plans in the manner outlined by that letter.

Based on the review, each agency will prepare recommendations to the President in the form of an original and two copies of the following material:

- a summary report on revisions to the 1978 Budget, prepared in accordance with section 2a of the Attachment and in the format of Exhibit 1;
- a summary report on employment changes to the 1978 Budget, prepared in accordance with section 2b of the Attachment and in the format of Exhibit 2; and
- detailed material for each agency program recommendation that results in changes in budget authority or outlays from the January Budget:
 - o a table for each proposed program change, prepared in accordance with section 3a of the Attachment (Exhibit 3);
 - o a new supplementary source document, prepared in accordance with section 3b of the Attachment, for each account affected by the proposed program change; and
 - o a statement of receipts (S.F. 108-T), prepared in accordance with section 3c of the Attachment.

Immediately upon receipt of Presidential decisions--to be communicated by OMB--on proposed changes to the January Budget, agencies will submit:

- to the extent that appropriation language must be changed, revised language in accordance with section 3d of the Attachment;
- a brief explanatory statement justifying the need for the appropriation in accordance with section 3e of the Attachment; and
- a rescission or deferral report (including supplementary reports), where applicable, prepared in accordance with section 3f of the Attachment.

5. Timing. Except as noted above, agencies will submit the material required under section 4 of this Bulletin to OMB, in accordance with the due dates in the budget guidance letters sent to agency heads by the Director of OMB.

6. Re-estimates. In preparing revised budget authority and outlay estimates for those programs to be adjusted, agencies will take into account revised economic assumptions developed by the new Administration. Agencies will not, however, provide re-estimates for other programs whether changes are due solely to revised economic assumptions or otherwise, unless such re-estimates are sizeable and would affect budget totals significantly. Whenever re-estimates are made for a program, the amounts of such re-estimates and a brief statement on their nature will be presented in a table for the program under "Agency reaction" (Exhibit 3).

7. Presidential review. Portions of the agency submissions may be forwarded to the President, along with OMB recommendations, for his review and decision. Meetings will be scheduled by the President with agency heads and OMB, as necessary, to discuss specific proposals for revision to the budget.

8. Material to be submitted to the Congress. Following the receipt of Presidential decisions on specific proposals for revising the 1978 Budget, agencies will prepare the following revised budget schedules, together with revised justifications, for each 1977 supplemental, proposed rescission, or 1978 budget amendment:

- program and financing schedule;
- object classification and personnel summary schedules;
and
- detail of permanent positions.

These schedules will be prepared in accordance with section 39.5 of OMB Circular No. A-11.

Unless otherwise directed by the Appropriations Committees, 15 copies of the above budget schedules will be furnished to each Appropriations Committee and 5 copies to the Congressional Budget Office, after February 15, 1977, as part of the agency's budget justification. Upon request, copies of these schedules will also be furnished to OMB.

BERT LANCE
DIRECTOR

Attachment

ATTACHMENT
Bulletin No. 77-4

INSTRUCTIONS FOR THE PREPARATION
OF MATERIAL FOR REVISING THE 1978 BUDGET

1. Purpose. This Attachment provides instructions for the preparation of material required for the revised Budget for Fiscal Year 1978 (including adjustments to 1977) to be transmitted by the President to the Congress in mid-February 1977.

2. Summary material required. Each agency will prepare an original and two copies of the following summary information, whenever it agrees with the budget guidance provided by OMB on specific program areas, recommends modifications to such guidance, or proposes changes to the January Budget not included in the OMB budget guidance:

a. Summary report on revisions to the 1978 Budget. This report will be prepared in the format of Exhibit 1. Budget authority and outlays will be shown for every program for which adjustments are being proposed in 1977 or 1978.

The description column will list, by bureau, those programs that are being adjusted. At least one line will be left blank between program titles. An entry will be made to show "Deductions for offsetting receipts" that apply to the programs being adjusted. A subtotal will be provided for the adjusted programs.

A single line entry will present the aggregate of budget authority and outlays for all accounts having no adjustments. Another line entry will show deductions for offsetting receipts for the agency, other than those that apply to the adjusted programs.

The penultimate line entry in column 1 will show the January Budget estimates and the revised estimates of budget authority and outlays for the agency as a whole. The final entry will present the revised agency totals included in the budget guidance letter, except when agencies have not received guidance on specific program changes.

All entries in columns 2 through 6 will be in millions of dollars.

The detailed entries in column 2 "1976, January Budget"; column 3 "1977, January Budget"; and column 5 "1978, January Budget" will be consistent with the amounts reported in the

"Budget Accounts Listing" (BAL) in Part 8 of the "Budget of the United States Government, 1978." The agency totals for columns 2, 3, and 5 will be the same as the corresponding agency totals in the January Budget.

The dollar entries for each adjusted program in column 4 "1977, Revised estimate" and in column 6 "1978, Revised estimate" will be consistent with the amounts reported on the new SSD forms. These entries will conform to the agency recommendations with respect to budget guidance. The subtotals for adjusted programs (columns 4 and 6) will be the same as the totals of the related SSD's.

b. Report on employment changes to the 1978 Budget. This report will be prepared, in the format of Exhibit 2, whenever the net change in employment for the agency results in an increase or a decrease.

Increases in full-time permanent and total employment reported over the employment levels provided in the January allowance letter (and reflected in the January Budget) for September 30, 1977, and September 30, 1978, will be limited to those that result directly from the program adjustments reflected in the agency summary report on revisions to the 1978 Budget.

A brief explanatory statement will be presented on the bottom half of the report justifying the need for any increases reported in employment for September 30, 1977, or September 30, 1978. This will include an analysis, by bureau and major program, of the numbers of employees involved in the proposed change.

3. Detailed material required. Each agency submitting the summary material listed above will also prepare an original and two copies of the following detailed material:

a. Table on 1978 budget revisions by program. A separate table will be prepared, in the format illustrated by Exhibit 3, for each program proposed to be adjusted in the revised 1978 Budget. All amounts will be in millions of dollars.

(1) Comparison of estimates. This section will present actual 1976 data as shown in the January Budget and estimates of budget authority and outlays for 1977 and 1978 as follows:

- January Budget estimates for the affected program;
- revised estimates reflecting the agency recommendation with respect to program changes; and
- the difference (+ or -) between the two estimates.

The revised program estimates should take into account the revised economic assumptions developed by the new Administration. Agencies will not, however, provide re-estimates for other programs, unless such re-estimates are sizeable and would affect budget totals significantly. Whenever re-estimates are included in the table, the amounts and an explanatory statement will be presented in the "Agency reaction" section.

The difference figure shown in this section should be the same as the amount provided in the OMB budget guidance letter whenever the agency agrees with the program action suggested by OMB. If the difference figure is not the same, a justification will be included in the section for "Agency reaction."

(2) Budget guidance. This narrative will restate, as precisely as possible, the specific budget guidance provided by the Director of OMB for the program involved. If no guidance was provided for the specific program for which the agency is recommending a change, the agency will so state by entering the word "None."

(3) Agency reaction. A brief statement of the agency's views on the budget guidance, including recommended alternatives, will be presented for review by OMB and the President. When no action has been proposed by OMB for a program for which the agency is recommending changes, the narrative will fully explain the compelling reasons for and the significance of the agency recommendation for change. This section will also include, as appropriate, a statement on: the need for proposed legislation, whether the change can be accomplished by administrative action, the need for rescission or deferral action, or such other supporting information as OMB may require.

Whenever re-estimates are included for a program (see section 3a(1) above and section 6 of the Bulletin), the amounts of the re-estimates and a brief statement on their nature will be presented in this section.

b. Supplementary Source Document (SSD). A new SSD will be prepared for each account for which adjustments are being proposed to the January Budget estimates of budget authority and outlays for 1977 and 1978. A summary list will be submitted, with the SSD's, presenting the account titles and identification codes of all the accounts for which adjustments are being proposed. No SSD's will be submitted for those accounts where no changes are proposed from the January Budget.

The date of the new SSD will be indicated in the upper right hand corner of the form. Entries on the SSD will be made in accordance with the provisions of sections 41.1-41.4 of OMB Circular No. A-11, except that the use of the transmittal codes (7th digit in the agency identification code) will be modified as follows:

- Code 2 will be used for all new legislative proposals and changes to legislative proposals in the 1978 Budget (including withdrawal of such proposals).
- Code 3 will be used for all new supplementals, changes to supplementals, and amendments to requests for 1978.
- Code 5 will be used for all new rescissions and changes to pending rescissions.
- Code 0 will be used for all other changes not requiring Congressional action.
- Codes 1 and 4 will not be used.

Because of the need to provide detailed data to the Congress at the same time the revised budget is transmitted, SSD's will be submitted to OMB on the date specified in the budget guidance letter for agency recommendations.

The entries for budget authority and outlays will be in thousands of dollars. The amounts reported in the first two dollar columns (for 1976 and the TQ, respectively) will be

left blank. No adjustments will be made to the 1976 and TQ actual data shown in the January Budget.

The entries in the last two columns of the revised SSD will be used for reporting the proposed revised estimates to the 1977 and 1978 budget authority and outlay estimates shown in the January Budget. Where there is a change being proposed to data for only one of the years, the amounts for the year for which no changes are proposed will be left blank.

c. Statement of receipts. A statement of receipts (S.F. 108-T) will be submitted to OMB, whenever proposed adjustments to the 1978 Budget (including 1977) result in significant changes to offsetting collections. (See section 22.4 of OMB Circular No. A-11.)

d. Revised appropriation language. Following receipt of Presidential decisions, revised appropriation language will be submitted, as prescribed in section 39.3 of OMB Circular No. A-11, for each account for which a 1978 budget amendment or a 1977 supplemental or rescission is being proposed.

e. Explanatory statement. A brief explanatory statement will accompany the proposed revision of appropriation language, justifying the need for the appropriation, the reason for additional or reduced funding, the effect on Federal civilian employment, and other information that may be required by OMB. (See also section 39.3 of OMB Circular No. A-11.)

f. Rescission/deferral reports. A rescission or deferral report will be submitted to OMB, whenever Presidential decisions indicate such action is required. If such decisions change the status of pending rescissions or deferrals, a supplementary report will be prepared. Reports will be prepared in accordance with OMB Bulletin No. 75-15, dated May 16, 1975.

4. Timing and arrangement of material. The material required to be submitted to OMB in accordance with the due dates in the OMB budget guidance letter will be packaged in the following manner:

- a summary report on revisions to the 1978 Budget;
- a summary report on employment changes to the 1978 Budget;

- a table for each adjusted program comparing January Budget estimates with revised estimates;
- any other material supporting agency recommendations;
- SSD's (by account) supporting each program change; and
- a statement of receipts (S.F. 108-T), as required.

Immediately on receipt of Presidential decisions, the material to be submitted to OMB will be packaged for each adjusted account in the following manner:

- appropriation language, as required;
- an explanatory statement on changes to appropriation language; and
- rescission or deferral reports, as required.

The individual packages for each account will be arranged in budget order.

[NAME OF DEPARTMENT OR AGENCY]

SUMMARY REPORT ON REVISIONS TO THE 1978 BUDGET
(In millions of dollars)

Description (1)	1976		1977		1978	
	January Budget (2)	January Budget (3)	Revised estimate (4)	January Budget (5)	Revised estimate (6)	
Adjusted programs: [List, by bureau, each program to be adjusted]						BA O
Deductions for offsetting receipts						
Subtotal, adjusted programs						BA O
Aggregate of accounts with no adjustments						BA O
Deductions for offsetting receipts						
Total, [Department or Agency]						BA O
Budget Guidance, [De- partment or Agency]	BA O	xxx xxx	xxx xxx		xxx xxx	

Exhibit 2
Bulletin No. 77-4

[NAME OF DEPARTMENT OF AGENCY]

REPORT ON EMPLOYMENT CHANGES TO THE 1978 BUDGET

Description	June 30, 1976 actual	September 30, 1977 estimate	September 30, 1978 estimate
Full-time permanent:			
January Budget			
Change (+)* or (-)	xxx		
Revised estimate	xxx		
Total employment:			
January Budget			
Change (+)* or (-)	xxx		
Revised estimate	xxx		

* Increases reported will be limited to those that result directly from the program changes reflected in the agency summary report on revisions to the 1978 Budget.

Explanation:

Exhibit 3
Bulletin No. 77-4

[NAME OF DEPARTMENT OR AGENCY]

1978 BUDGET REVISIONS
(In millions of dollars)

[Program title and bureau].

1976		1977		1978		
<u>Jan.</u>	<u>Jan.</u>	<u>Agency</u>		<u>Jan.</u>	<u>Agency</u>	
<u>Budget</u>	<u>Budget</u>	<u>Recom.</u>	<u>Diff.</u>	<u>Budget</u>	<u>Recom.</u>	<u>Diff.</u>

Budget authority

Outlays

Budget guidance:

Agency reaction:



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

BULLETIN NO. 77-3

November 12, 1976

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Data on acquisition, operation, or use of automatic data processing systems.

1. Purpose. This Bulletin provides additional instructions for updating information on automatic data processing (ADP) systems submitted to the Office of Management and Budget (OMB) under section 43.2 of OMB Circular No. A-11.

2. Background. Public Law 89-306 (the Brooks Act) established a framework for the economic and efficient procurement and utilization of ADP resources. Consistent with the objectives of that Act, agency plans for ADP must be accurately reflected in the President's budget determinations. Furthermore, recent Congressional concern about the increasing level of Federal expenditures for ADP (House Report No. 94-1746, dated October 1, 1976) makes it necessary to assure that information can be provided to the Congress on the actual level of ADP expenditures within each agency.

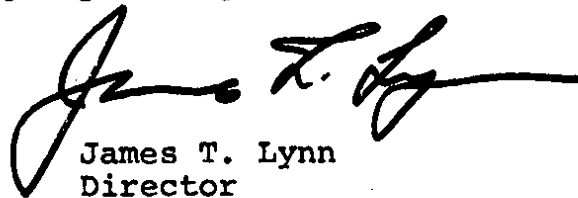
3. Coverage. These instructions apply to each agency required to submit a summary report on the acquisition, operation, or use of ADP systems, pursuant to section 43.2 of Circular No. A-11.

4. Material required. When information is transmitted to the agency on the President's budget determinations, a separate amount will be included for ADP. Upon receipt by the agency, the exhibits and narratives on ADP (required under section 43.2 of Circular No. A-11) will be revised to bring them into accord with the action taken by the President. When requested by OMB representatives, materials for printing (e.g., program and financing schedules) and supplementary source documents will also be revised to reflect the President's determination with respect to ADP. Both types of revisions will be made in accordance with instructions in Circular No. A-11 on "Conforming to determinations" (section 11.8) and will be submitted to OMB immediately.

5. Budget justification. In furnishing supplementary information to the Congress on appropriation requests and other budgetary matters, agencies may be requested to submit exhibits and narrative justifications for ADP systems. Data will be consistent with the revisions made following the receipt of Presidential determinations.

Agency officials will be prepared to testify on ADP systems and their impact on agency budget requests during hearings before Congressional Appropriations and other committees.

6. Inquiries. Questions regarding the instructions in this Bulletin will be addressed to the OMB program division responsible for reviewing the agency's budget estimates.



James T. Lynn
Director

OMB Bulletin No. 77-2

Declassified in Part - Sanitized Copy Approved for Release 2013/07/17 : CIA-RDP06M00944R000200080002-6

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

BULLETIN NO. 77-2

October 28, 1976

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Increased pay costs for fiscal year 1977

1. Purpose. This Bulletin provides instructions for the submission of an analysis of increased pay costs for fiscal year 1977, including the possible absorption of such costs and the pay supplementals required.

2. Background. Office of Management and Budget (OMB) Circular No. A-11 (sections 13.4 and 32.7) instructed agencies to include amounts for the October 1976 pay raise in their 1977 and 1978 budget estimates, if the new pay rates were known at the time of submission. If the rates were not known at that time, agencies should adjust their budget schedules to include the additional 1977 and 1978 amounts required for the pay raise, upon receipt of Presidential determinations on their 1978 budget allowances.

The information submitted pursuant to this Bulletin will be the basis for requests to the Congress (in the 1978 Budget) for the 1977 pay supplementals.

3. Coverage. These instructions apply to the fiscal year 1977 costs of:

a. Civilian personnel pay raises effective in October 1976 under Executive Order 11941, issued pursuant to P.L. 91-656, and comparable raises granted by administrative action. (Note that P.L. 94-440 excludes Executive Schedule salaries from the October 1976 pay raise.)

b. Military personnel pay raises effective in October 1976 under Executive Order 11941, issued pursuant to P.L. 90-207.

c. Actual wage board pay raises currently effective in fiscal year 1977 and granted under 5 U.S.C. 5341, together with additional raises estimated to be granted under the same authority through September 30, 1977.

4. Absorption policy. The amount of the 1977 pay increase costs specified above will be computed on the basis of the latest approved program levels for 1977.

Agencies will absorb these increased pay costs to the maximum extent possible by:

a. Using all available resources within the account to cover increased pay costs, wherever possible, and

b. Using existing transfer authority to maximize absorption when resources within an account are insufficient to meet such costs. Agencies should not seek additional transfer authority from the Congress for the purpose of meeting increased pay costs for fiscal year 1977.

Each agency will apply the principles set forth in OMB Circular Nos. A-44 and A-64 to achieve economies through cost reduction, position management, and other management improvement programs. Reapportionment requests should be submitted in accordance with paragraph 6 below to apportion any previously deferred funds (line 10 of S.F. 132) or unapportioned balances of revolving funds (line 11 of S.F. 132) that may now be used to meet increased pay costs.

Pay supplementals should be proposed only when the head of the agency has determined that full absorption is not possible. Available resources will be applied first to program increases for uncontrollable items that qualify for deficiency apportionment, to the extent that the total amount can be absorbed. Any available resources remaining should then be applied to cover the various types of increased pay costs (i.e., civilian statutory pay systems, administrative action, military pay systems, and wage board) in the following order of priority:

(1) Any type of increased pay cost required to be paid to other accounts for reimbursable work (including payments to revolving funds).

(2) Any type of increased pay cost that can be absorbed in full.

(3) Any type of increased pay cost that cannot be absorbed in full.

If all increased pay costs are absorbed through available resources, any surplus of resources may be applied to other program increases.

5. Preparation of required materials. Each agency is required to submit to OMB by November 15, 1976, an analysis of increased pay costs for fiscal year 1977. The analysis will be prepared in accordance with the instructions in Attachment A and submitted in the format of the related Exhibit. In some cases, it may be necessary for OMB to obtain approximations of these increased pay costs prior to receipt of the materials due November 15, 1976.

In addition to the required analysis, the agency submission will include:

a. A narrative explanation of the methods used in computing the increased pay costs.

b. Proposed appropriation language, including that required to change limitations or to provide extended availability for multiple-year and no-year accounts (i.e., "to remain available for obligation until...").

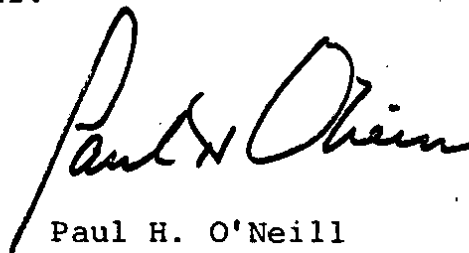
Guidelines to be used in drafting proposed appropriation language are presented in Attachment B.

6. Apportionment and reappropriation requests. Agency requests for reappropriation to reflect increased pay costs for FY 1977 will be submitted (as necessary) in accordance with Part IV of OMB Circular No. A-34. Requests for "deficiency" apportionments that anticipate a need for pay supplementals are authorized by section 107 of P.L. 94-473 and must be accompanied by three copies of the agency head's statement of necessity, as required by 31 U.S.C. 665(e)(1). The language to be included in the agency head's statement is as follows:

"I hereby determine that it is necessary to request apportionment (or reappropriation) of the appropriation '(appropriation title)' on a basis that indicates the necessity for a supplemental estimate of appropriations for pay increases in accordance with section 107 of P.L. 94-473."

When a group of such requests is transmitted at one time, a single certification may be used for all requests.

7. Supplemental appropriations for 1977. The proposed appropriation language and analysis required under paragraph 5 will serve as the request for 1977 pay supplementals. Upon approval by OMB of amounts of supplemental appropriation requests, agency budget schedules will be adjusted as necessary. Program supplementals will be handled separately, in accordance with the regular procedures of OMB Circular No. A-11.



Paul H. O'Neill
Acting Director

Attachments

ATTACHMENT A
Bulletin No. 77-2Analysis of Increased Pay Costs for
Fiscal Year 1977

Each agency will submit by November 15, 1976, an analysis of increased pay costs for FY 1977 resulting from the items specified in paragraph 3 of this Bulletin. An original and two copies of this analysis will be prepared for fiscal year 1977 in the format illustrated by the Exhibit. The analysis will be accompanied by the narrative explanation and appropriation language required in paragraph 5 of this Bulletin.

For purposes of this analysis, amounts for allocation accounts (transfer appropriation accounts) will be incorporated in the amounts shown for the parent account rather than in the amounts shown for the receiving agency. Each agency receiving an allocation will furnish to the agency responsible for the parent account the data necessary to prepare the analysis (including justifications) by November 8, 1976, unless other arrangements have been made by the agencies concerned. Allocation accounts will be considered a source of transfer only by the parent agency.

In the case of advances or reimbursements paid into revolving and management funds (including consolidated working funds) and appropriation accounts, the receiving agency which performs the services will include the associated increased pay costs as a part of its absorption, without the necessity of separate identification or of clearance with the paying agency. The ordering agency making the payment will consider this as a part of its ordinary expenses and will not need to identify these as increased pay costs, since such costs relate to employees of the performing agency. However, Congressional action may be necessary to provide additional appropriations to cover payments to other accounts or agencies for increased pay costs for reimbursable work. In such cases, the portion of the increased pay costs attributable to advances and reimbursements must be ascertained and justified. (See instructions for entries under column 4 below.)

Where more than one type of pay increase is involved (i.e., civilian statutory pay systems, wage board, administrative action, or military pay systems), the amounts applicable to each will be reported separately in columns 2 through 4 of each analysis. Increased pay costs for allocation accounts will be included, by type of pay raise, in the amounts shown

for the parent account in columns 2 through 4. In columns 5 through 8, the amounts for each account will be reported in total (i.e., without separately identifying the amount associated with each type of pay increase or allocation account).

The final entry in each table will be labeled "Total, all pay increases" and will show the total amounts for the agency for columns 2 through 8.

The analysis will be prepared on 8" x 13" paper, as described below:

Column 1. List under each bureau or organizational unit to which separate appropriations or funds are available, the title of each account (other than allocation accounts) out of which any increased pay costs are paid directly. These will include revolving and management funds (including consolidated working funds) and trust funds. Account titles will be listed in the order in which they appear in the budget. At least one line should be left between account titles.

Increased pay costs under civilian statutory pay systems will be entered without further identification. Other types of pay increases (i.e., wage board, administrative action, military pay systems) will be identified in the stub column under each account where appropriate.

Column 2. Report the direct cost of pay raises for employees paid from the account being reported, whether or not the costs result from the performance of reimbursable work. Agencies should be careful to include any additional payments that are normally associated with object class 11, such as overtime, Sunday premium pay, etc. If the increased pay cost is disproportionately high in relation to the base for any account, the reasons should be fully set forth in the narrative explanation. Do not report in this column advances or reimbursements paid to other accounts for work or services. (To the extent they cannot be absorbed through currently authorized agency administrative action, they are to be reported in column 4.)

Column 3. For each listed account, report the added costs that are not direct but are related to the pay raise, whether or not the costs are reimbursable. For this purpose, the related costs include such items as Government retirement contributions, employer FICA taxes, Government

contributions to employee life insurance premiums, and other payments that are based on employees' salaries.

Do not report in this column advances or reimbursements paid to other accounts for work or services. (To the extent they cannot be absorbed through currently authorized agency administrative action, they are to be reported in column 4.)

Column 4. Report the portion of the increased pay costs to be paid as advances and reimbursements to other accounts that cannot be absorbed through administrative action. In most cases this column should be blank, since payments to other accounts will be considered for absorption ahead of the increased pay cost of the account itself.

Column 5. Report, in total for each account, the portion of the increases shown in columns 2 and 3 that can be absorbed through currently authorized agency administrative action. This will include absorptions through transfers from other accounts that can be made under existing authority and amounts to be covered by reimbursements from other accounts. (NOTE: Funds available for absorption purposes under existing authority will be applied to column 4 before column 5. If any amount is shown in column 4, column 5 will be blank.)

Column 6. Report, in total for each account, the portion of the increased costs in columns 2, 3, and 4 that could be absorbed if the Congress provides authority to increase limitations on administrative expenses or personal services.

Column 7. Total of columns 5 and 6.

Column 8. This column should equal the sum of columns 2, 3, and 4 minus column 7, and will represent the additional appropriation considered necessary for the account as a result of the pay raises reported.

NOTES: a. Amounts are in dollars.
b. Actual size of this form is 8 x 11 inches.

EXHIBIT
Bulletin No. 77-2

ANALYSIS OF 1977 INCREASED PAY COSTS

Organizational unit and account title (1)	Increase in direct pay and other related cost of this agency		Amounts not absorbed ad- ministratively to be paid to other accounts (4)	Possible by admin- istrative action (5)	Net absorption		Additional appropria- tion required (8)
	Direct pay (2)	Related cost (3)			Requiring increase in limi- tation (6)	Total (7)	
	<u>DEPARTMENT OF GOVERNMENT</u>						
Office of the Secretary:							
Salaries and expenses.....	197,420	18,700	. . .)	79,700 ^{1/}	. . .	79,700	170,870
Wage board.....	31,500	2,950	. . .)				
Bureau of Economic Development:							
Salaries and expenses.....	949,160	89,220	. . .)	723,500	. . .	723,500	314,880
Inspection Services.....	176,000	16,540	21,050	213,590
Development Trust Fund.....	1,240,000	111,600	. . .	21,600	1,330,000	1,351,600	. . .
<hr/>							
Government Corporation:							
ABC Revolving fund (adm. action).....	1,065,000	100,110	. . .	865,110	300,000	1,165,110	. . .
Total:							
Civ. stat. pay systems.....	9,336,400	872,660	42,310)				
Wage board.....	142,500	13,250	. . .)				
Adm. action.....	1,065,000	100,110	. . .)				
Total, all pay increases.....	10,543,900	986,020	42,310	5,246,660	1,701,600	6,948,260	4,623,970.

^{1/} Includes \$15,000 to be transferred from "Salaries and Expenses, Bureau of Safety" under P.L. _____. [Cite existing authority]

ATTACHMENT B
Bulletin No. 77-2

Guidelines for Drafting Proposed Appropriation Language
for Pay Supplementals for Fiscal Year 1977

Indentation, punctuation, and capitalization will conform with the presentation used in Part III, Title II of the 1977 Budget Appendix (pp. 885-889).

Organization titles and breaks, including the appropriation account title, will conform to the fiscal year 1977 appropriation bills as enacted.

All new items not included in the 1977 appropriation bills (e.g., chapters, organizations, accounts, or appropriation language phrases) will be underscored.

Sample formats illustrating the above guidelines follow:

DEPARTMENT OF GOVERNMENT

Office of the Secretary: "Salaries and expenses", \$170,870;

Bureau of Economic Development: "Salaries and expenses", \$314,880;

"Inspection services", \$213,590 to remain available until March 30, 19BY;

Development Trust Fund: "Limitation on general operating expenses" (increase of \$1,330,000 in the limitation on general operating expenses);

OMB Bulletin No. 77-1

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

BULLETIN NO. 77-1

October 26, 1976

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Excess and near excess foreign currencies

1. Purpose. This Bulletin informs the Departments and agencies of the U.S.-owned foreign currencies that have been determined by the Secretary of the Treasury to be in excess or near excess supply.

2. Rescission. This Bulletin supersedes and rescinds OMB Bulletin No. 76-5 of September 22, 1975. The provisions contained in this Bulletin remain in effect until September 30, 1978, unless superseded or rescinded at an earlier date.

3. Policy. Specific guidance on the utilization of excess and near excess foreign currencies is contained in Office of Management and Budget (OMB) Circular No. A-20, Revised. In general, full utilization of excess and near excess foreign currencies in lieu of U.S. dollars -- consistent with international agreements and availability of the currencies -- must be an objective of every agency with transactions in the respective countries.

4. Excess currencies. Currencies of the following countries are excess to the Government's normal requirements for fiscal years 1977 and 1978 (unless otherwise indicated).

Burma	India	Tunisia*
Egypt	Pakistan	
Guinea	Poland	

*(Limited, see 6 below.)

5. Near excess currencies. Supplies of currencies available for U.S. programs for fiscal year 1977 in the following countries are above immediate needs, but are not sufficient to be declared excess.

Morocco	Sudan	Yugoslavia
Sri Lanka	Syria	

6. Restrictions on special foreign currency programs. Special foreign currency program appropriations will be available for incurring obligations payable in any excess currencies, with two restrictions:

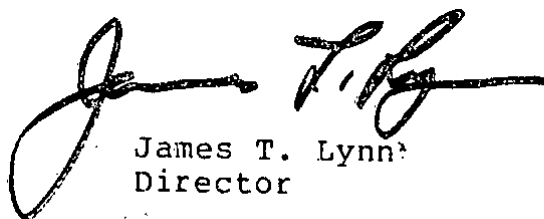
a. The excess designation for Poland will terminate on December 31, 1976.

b. The excess designation for Tunisia will terminate on September 30, 1977. Prior to this date, however, obligations under special foreign currency programs will be made only within ceilings established by the Office of Management and Budget. Such ceilings will be communicated to the appropriate agencies in the near future.

At the respective termination dates, excess foreign currencies for Poland and Tunisia are redesignated as near excess currencies for planning purposes.

7. Effective date. This Bulletin is effective immediately.

8. Inquiries. Inquiries and requests for assistance should be addressed to the Office of Management and Budget, Budget Review Division, telephone 395-3830 (code 103, ext. 3830).



James T. Lynn
Director