



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

THE DIRECTOR

May 1, 2015

M-15-11

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Sharrn Donovan
Director

SUBJECT: Fiscal Year 2017 Budget Guidance

The Fiscal Year (FY) 2016 Budget laid out a plan to bring middle-class economics into the 21st Century. It proposed reversing harmful sequestration cuts and instead, making the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure. The FY 2016 Budget made these investments while also putting our Nation on a sustainable fiscal path by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. In fact, the Budget achieved about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, the tax code, and our broken immigration system.

Sequestration was never intended to take effect: rather, it was supposed to threaten such drastic cuts to both defense and non-defense funding that policymakers would be motivated to come to the table and reduce the deficit through smart, balanced reforms. In the absence of congressional action, both defense and non-defense discretionary funding in FY 2016 will be at the lowest levels in a decade, adjusted for inflation, even though the need for pro-growth investments in infrastructure, education, and innovation has only increased. That is why the President has made clear that he will not accept a budget that locks in sequestration going forward, nor one that reverses sequestration for defense — including through backdoor gimmicks — without also reversing sequestration for non-defense. The FY 2016 Budget proposed a plan to reverse sequestration, while replacing the savings with smart spending cuts, program integrity measures, and commonsense loophole closers. The Administration looks forward to working with the Congress to replace senseless austerity with smart investments that strengthen America, as Members of Congress from both parties have urged.

The FY 2017 Budget should continue to build on the investments and reforms proposed in the FY 2016 Budget. In addition, agency budget requests should reflect management strategies that will help us deliver a Government that is more effective, efficient, and supportive of economic growth.

FY 2017 Discretionary Budget Submission. To provide the President with the options needed to sustain or augment critical investments and support effective programs, your FY 2017 budget submission to OMB should reflect a 5 percent reduction below the net discretionary total provided for your agency for FY 2017 in the FY 2016 Budget (unless otherwise directed by OMB). This reduction applies equally to defense (budget function 050) and non-defense programs; agencies that are split between the two may not reduce defense by more than 5 percent to offset non-defense or vice versa.

In working toward this funding target, all agencies should include sufficient funding for ongoing Presidential priorities and continue efforts to increase effectiveness and reduce fragmentation, overlap, and duplication. Your submission should include a separate section that identifies recommendations to this effect, both within your agency and across programs administered jointly with other agencies. As appropriate, your list of recommendations should include proposals that address the Government Accountability Office's recommendations in this area.

In addition, agencies are asked to identify additional investments in programs that support their missions, especially programs with strong evidence of effectiveness. Overall, these investments and your FY 2017 Budget submission should together achieve a level that is no more than the net discretionary total provided for your agency for FY 2017 in the FY 2016 Budget, for both defense and non-defense programs. These additional investments should be separately identified in your budget submission and ranked in priority order.

As in previous years, when developing your FY 2017 submission, please exclude: 1) shifts of costs to other parts of the Federal budget; 2) reclassifications of existing discretionary spending to mandatory; 3) reductions to mandatory spending to be enacted in appropriations bills; 4) across-the-board reductions; and 5) the enactment of new user fees to offset existing spending. You may, however, include these items as separate proposals for consideration on their merits or as alternative ways to achieve the guidance level.

Mandatory Budget Proposals. Your request for mandatory spending should reflect the same rigorous review as you undertake for discretionary spending. OMB will work with you over the next several months to identify areas of mandatory spending that merit special scrutiny, including reviewing the mandatory proposals included in the FY 2016 Budget. Agencies are particularly encouraged to identify new mandatory savings proposals as part of their FY 2017 budget submissions. In addition, if your budget request includes any new mandatory proposals that are not at least budget neutral, they should be accompanied by new mandatory savings proposals to offset those costs.

Supporting Agency Goals and the President's Management Agenda. The President is committed to creating a Government that will make a significant, tangible, and positive difference in the lives of the American people and the economy, and to driving lasting change in how Government works. To that end, agency budget choices discussed above should be driven by the agency's strategic plan and prioritization across their goals and objectives as informed by

their strategic review. To help deliver on the President's vision for a Government of the Future, the FY 2016 Budget included a set of reform priorities to advance the four key pillars of the President's Management Agenda:

- Effectiveness—delivering world-class customer service to citizens and businesses;
- Efficiency—enhancing productivity and achieving cost savings across the Government;
- Economic Growth—opening Government-funded data and research to the public to spur innovation, entrepreneurship, economic growth, and job opportunities; and
- People and Culture—unlocking the full potential of today's Federal workforce and building the workforce needed for tomorrow.

Agencies should continue to invest in these priorities in their FY 2017 submissions, with a particular focus on the following:

- Implementing the Cross-Agency Priority (CAP) Goals;
- Leveraging data-driven management reviews, including FedStat, to identify additional budget proposals where applicable; and
- Supporting Agency Digital Service Teams;
- Freezing or reducing the Federal real property footprint;
- Reducing improper payments and improving the Do Not Pay initiative;
- Enhancing or moving to shared services;
- Implementing the Digital Accountability and Transparency Act of 2014 (DATA Act) and the Federal Information Technology Acquisition Reform Act (FITARA).

Please see Appendix A for more information.

Evidence and Evaluation. The Administration remains committed to building evidence and better integrating evidence into policy, budget, operational, and management decision-making. We appreciate agencies' participation in the wide range of ongoing efforts to strengthen the use of data and evidence to drive better decision-making and achieve greater impact. Building on these efforts, the FY 2017 Budget process will place a priority on institutionalizing the progress that agencies have already made in these areas. To further these efforts, agencies are invited to submit: 1) proposals that scale-up interventions or policies that have been tested and shown to work; and 2) proposals that will further develop agencies' capacity to use evidence, evaluation, and data as tools to improve program outcomes. All proposals should be included within your guidance levels. OMB strongly encourages agencies to engage with their RMOs early in the process of developing these proposals.

Agencies should submit a completed Evidence Template as a part of their Budget submission. This template is designed to:

- Provide an overview of the agency's evidence-building strategies, identify barriers to advancing this work, and discuss how the highest-priority proposals fit within the agency's framework and/or address the primary barriers;

- Identify the agency's highest-priority scale-up proposals (one to three proposals);
- Identify the agency's highest-priority capacity-building proposals, including for example tiered-evidence proposals (one to three proposals); and
- Provide an update on the agency's progress in increasing access to high-value administrative data assets (as identified by the agency) for use by statistical components and/or for statistical purposes, or to increase the utility of already-accessible data assets progress (implementation update for OMB Memorandum M-14-06, "Guidance for Providing and Using Administrative Data for Statistical Purposes").

Please see Appendix B for more information.

Attachments

Appendix A: Additional Information on Supporting the President's Management Agenda and Cross-Agency Priorities

Additional Management Agenda Information

Mission Cross-Agency Priority (CAP) Goals. Established by the GPRA Modernization Act, the Administration uses the CAP Goals to help break down organizational barriers and achieve better results than one agency can achieve on its own. For each of the CAP Goals, OMB identifies Goal Leaders, regularly tracks performance throughout the year, holds goal teams accountable for results, and publishes quarterly results on Performance.gov. OMB, the Performance Improvement Council (PIC), and agencies have worked to support progress on the CAP Goals. For several CAP Goals, we have identified targeted areas for additional information that agencies should address in their budget submissions. Agency staff can view additional guidance for mission CAP Goals at: <https://community.max.gov/x/qwTHMg>.

FedStat. Over the course of this Administration we have used regular data-driven management reviews to drive forward many of our most important priorities at both your agencies and with the coordination of OMB. These processes have led to a number of tangible improvements in the effectiveness and efficiency of individual agencies and the Government as a whole. Building upon successful Benchmarking and PortfolioStat reviews, this year OMB and agencies are conducting a single, coordinated FedStat meeting covering a prioritized set of mission and management issues. In their FY 2017 budget submissions, agencies should provide an update on all action items from the FedStat meeting. Following the FedStat meeting, OMB may provide additional guidance on specific items for your agency's FY 2017 Budget submission.

Agency Digital Service Teams. The FY 2016 Budget included a total of \$105 million across 25 agencies for staffing costs to develop Digital Service teams responsible for driving the efficiency and effectiveness of the agency's highest-impact digital services (agency staff can view additional information at <https://community.max.gov/x/p4NxLQ>). OMB will review the budget submissions of all Chief Financial Officers (CFO) Act agencies except for the Department of Defense, plus the National Archives and Records Administration and U.S. Army Corps of Engineers, to ensure sufficient funding for these teams.

Real Property. Consolidating Federal properties and collocating agency office space is not only commonsense, but can provide more efficient and effective convenient access to the public and offer opportunities to improve the use of Federal facilities for a 21st Century workforce. Consistent with the National Strategy for Real Property issued March 2015 and pursuant to OMB's Reduce the Footprint guidance (Management Procedures Memorandum No. 2015-01), each CFO Act agency is encouraged to include in their FY 2017 budget submissions a list of no more than five high priority projects that consolidate disparate operations at a single location, reduce square footage, dispose of unneeded properties, or colocation in proximity to customers served. Agencies should include required resources (e.g., renovation or repair and alteration, build-out, IT and telecom cabling, furniture, move,) and projected cost savings and/or costs avoided over a 10 year period. The third week in May, OMB will provide templates for submitting this information by project. Projects that involve space that is under the custody and control or leased by GSA and occupied under an occupancy agreement, should be coordinated

with GSA prior to submission to OMB. These high priority projects should be consistent with agencies' Real Property Efficiency Plan project list due on July 10.

Improper Payments. Addressing improper payments is a central component of the Administration's overall efforts to eliminate waste, fraud, and abuse. For DOL, Education, HHS, HUD, SSA, Treasury, and USDA, your submission should reflect the following:

High-Priority Programs: Support for the Administration's commitment to reducing improper payments. This could include new program integrity proposals targeted at reducing improper payments. Please describe how new investments will improve your ability to reduce improper payments in each high-priority program.

Do Not Pay Initiative: Support for either: A) the implementation of the Treasury Do Not Pay Business Center into your payment processes, allowing Treasury to stop payments on your behalf; or B) the Administration's Do Not Pay Initiative by implementing internal controls to prevent improper payments before they occur.

Shared Services. Moving to shared services increases the effectiveness and efficiency of the Federal Government. In the FY 2017 Budget process, your submission should reflect the following:

For Shared Service Providers (USDA NFC, Treasury ARC, DOT ESC, and DOI IBC): Support for the Administration's commitment to enhancing the capabilities or capacity of your financial management shared service offering. Agencies can work with Treasury's Office of Financial Innovation and Transformation (FIT) to develop proposals, such as ways to expand capacity, reduce costs, improve technology, integrate with external centers of excellence, and/or introduce a robust data analytics solution, including necessary enhancements to continue implementation of the DATA Act. Please explain how these investments will result in outcomes that will increase your ability to better on-board and service additional cabinet-level departments, reduce your operating or implementation costs, and/or improve your suite of service offerings.

For agencies who are making or considering a transition to a shared service provider: Please identify what services your agency is considering transitioning to a financial or human capital shared service provider, in support of the CAP Goal. Estimates should include discovery and/or implementation costs planned for FY 2017. Please provide a high level business case to support the planned acquisition of shared services. For agencies not listed above who may also be considering the transition to shared services, please include the same information in your submissions.

Other Management Priorities

DATA Act Implementation. In FY 2017, agencies will continue implementing the Digital Accountability and Transparency Act of 2014 (DATA Act). Additional information will be provided in forthcoming OMB guidance. For the FY 2017 President's Budget, OMB will review agency budgets for costs to implement these changes. To aid agencies in implementing DATA Act, OMB will issue additional guidance in May.

FITARA Implementation. The Federal Information Technology Acquisition Reform Act (FITARA), enacted in December 2014, adds new requirements to the annual budget process. These requirements will be implemented for the first time during the formulation of the FY 2017 President's Budget. To aid agencies in meeting the FITARA requirements related to the Chief Information Officer's role in budget formulation and budget submission, OMB will provide additional guidance in OMB Circular A-11.

Appendix B: 2017 Evidence Template and Instructions

General Guidance for Template Completion

Completed Evidence Templates should be submitted to RMOs with the Agency Budget request. While OMB encourages agencies to embed evidence-based policies and capacity development proposals within all proposals, as appropriate, the template is designed to highlight the agencies' highest-priority proposals.

OMB encourages offices responsible for budget formulation, evaluation, policy development, performance, and program implementation to collaborate in the development of the Agency Evidence Submission. In addition, OMB strongly encourages agencies to engage with their RMOs while developing identified proposals.

Only those agencies named in the Chief Financial Officers Act of 1990 should provide a response for Section 3.

Please provide responses in each underlined section within the template. Specific instructions for and examples of the types of information requested in each section are identified in *italics within the template*. The template is organized as follows:

Section 1. Agency Context

- Agency Strategy to Advance the Use of Evidence in Decision Making
- Recent Progress
- Current Barriers

Section 2. Top-priority proposals

- Scale-up proposals (one to three)
- Capacity-building proposals (one to three)
- Additional relevant proposals included elsewhere in the Budget request

Section 3. Updates to OMB Memorandum M-14-06, "Guidance for Providing and Using Administrative Data for Statistical Purposes"

- Recent Progress
- Priorities
- Current Barriers
- Data Stewardship

Please direct questions to your RMO contacts.