



**Functional Series [600](#)  
Budget and Finance**

**INTERIM UPDATE 06-08**

**SUBJECT:** Update: Message on FY 2007 USAID Operational Expenses

**NEW MATERIAL:** We are operating under a new Continuing Resolution (CR) due to expire on February 15, 2007. The following updated interim guidance should guide Agency operations until an operating year budget (OYB) can be set.

**EFFECTIVE DATE:** December 29, 2006

**ATTACHMENTS:** [Action Memo for the Acting Deputy Administrator](#)

INFORMATION

USAID/General Notice  
AA/PPC/RA  
12/29/2006

Subject: Update: Message on FY 2007 USAID Operational Expenses

We are operating under a new Continuing Resolution (CR) due to expire on February 15, 2007. The following updated interim guidance should guide Agency operations until an operating year budget (OYB) can be set. In line with Manage-to-Budget principles, this guidance covers both operating expenses (OE) and the use of program funds for operational activities. This does not provide guidance on programmatic activities nor the release of program funds during the CR. Major changes from the prior notice of November 30, 2006 are in brackets below. In addition a new section outlining procedures for requesting additional OE is included at the end of this message.

#### Operating Under the CR

While under the CR, the Agency is only authorized to fund continuing FY 2006 projects and activities. [In other words, the Agency may not initiate "new" projects and activities. However, for CR purposes, the definition of what constitutes a "new", and therefore prohibited, project or active is quite narrow. Generally, if the Agency had authority to carry out a particular program in the preceding fiscal, year, that program is not a considered a "new" project or activity regardless of whether it was actually operating in

the preceding fiscal year]. If you have questions about whether a specific activity is considered "new" and therefore prohibited, please contact your legal advisor or GC before proceeding. [Whether prohibited under the CR or not, managers should, to the extent possible, defer initiating projects or contracts until an Operating Year Budget (OYB) is set.]

In addition, funding during the CR period should be used only for high-priority requirements. Managers should be judicious when obligating funds to avoid making long-term commitments that may not be supported under the final OE OYB and program-funded operational expense levels.

For both OE and program-funded operational expenses, managers must be prudent in discretionary spending decisions such as hiring, travel, conference attendance, and publications. Managers may continue USDH recruitment, with ultimate hiring decisions approved by the Hiring Control Board. Managers also should restrict travel to that essential for program oversight or non-deferrable travel, such as home leave and emergency travel. In addition, managers also should exercise restraint in funding publications and communications products, including video production. The Agency is developing a policy on publications and communications products.

[As a reminder, prior to completion of the Institutional Support Contracts Reviews, Washington operating units (OUs) must continue to submit requests for approval for any institutional support contracts, CASUs, PASA/PAPA agreements and fellow agreements (not individual employee requests/extensions), whether new awards or extensions of existing agreements/contracts that require action. These requests MUST be approved PRIOR to initiation of any competition].

#### Interim FY 2007 OE OYB and Program-funded Expense Levels

Until the Agency sets the final OE OYB, we will operate under an interim OYB based on the target level of 10% below the FY 2006 baseline. PPC/RA will continue to provide funding to operating units based on the interim OYB and the requirements of the CR. Following prior-year procedures, the Agency will continue to allow funds to the regional bureaus, which will have discretion in allocating to missions.

[Managers should constrain program-funded operational expenses to the extent possible and as with OE, fund only high-priority requirements during this interim period. Operating units should operate to the target levels established in the budget guidance issued this summer and as reiterated in the supplement to the F guidance for operational plans.]

[As a guideline, regional bureaus and missions should spend no more than 6% of their annual program new obligation authority (NOA) for program-funded operational expenses. Their total operational costs (OE and program-funded) cannot exceed 12% of their annual NOA. Likewise, pillar bureaus should spend no more than 14% of their annual program NOA for program-funded operational expenses. Their total operational

costs (OE and program-funded) cannot exceed 17% of their annual NOA. Although the operational cost ratios are set as a percentage of new obligation authority, total spending on program funded operations including NOA, pipeline, carryover, and recoveries should remain within the limit. OU that do not manage program funds are not subject to these ratios.]

#### Future Updates

Within the next few weeks, the Agency will provide an update on the status of and plans for the final OE OYB and program-funded operational expense levels.

#### Procedures for Requesting Additional OE

Although in general spending for new requirements should be deferred until the OYB is set, in exceptional circumstances, bureaus or offices can request an increase to the interim OE allocation to meet high priority requirements that are in addition to normal operations and for which a decision cannot wait. If approved, these adjustments to the interim allocation will be taken into consideration when setting the OE OYB.

All increases to the interim OE allocations of OUs will be reviewed and approved through the following protocol, which will remain in effect until formal OE levels are established. Bureaus and independent offices should continue to send requests for advances (early release of funds rather than an increase to allocation) through the OE OYB Allocation mailbox ([oeoyballocation@usaid.gov](mailto:oeoyballocation@usaid.gov)).

For the proposed increases, the requesting bureau or office should draft a decision memo through M/AA and the C.O.O. to the Deputy Administrator that summarizes the factors to be considered in the decision-making, including the following factors: a compelling justification for the urgency for the allocation, including who it will affect and how and the benefit or detriment to the Agency; amount and purpose of any previous OE increase received by that OU; the total OE last FY and expected OE this year for that OU; the total interim OE level if this request is approved; and options for funding and a timeline. Regional bureaus will continue to be responsible for addressing mission requests during this interim period.

The following should be included in the clearance line:

PPC/RA:TStoll

M/AA: ACrumby

ES

AID/A: LBrady

A template for OE request memos is attached.

Point of Contact: Any questions concerning this Notice may be directed to Theresa Stoll, 202, 712-0924.

Notice 1281

<b>File Name</b>	<b>Notice Date</b>	<b>Effective Date</b>	<b>Editorial Revision Date</b>	<b>ADS CD No.</b>	<b>Remarks</b>
IU6_0608_122906_cd46	12/29/2006	12/29/2006	12/29/2006	CD 46	This IU will remain effective until an operating year budget is set.

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