

**LIFE
CYCLE
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MANAGEMENT**

Good Practice Guide
GPG-FM-019

Project Budget Process

March 1996

Department of Energy
Office of Field Management
Office of Project and Fixed Asset Management

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1. INTRODUCTION

This Guide provides information to help Department of Energy (DOE) project managers understand the budget development process, which will help ensure the timely acquisition of capital assets. Effective project budgeting is necessary to ensure that a constant flow of funds is available for the project manager to complete the project within the allocated budget and schedule. A project manager's performance will be measured to a great extent on how effectively he/she is able to accomplish this task.

Departmental project managers may apply this Guide to any capital acquisition effort. (In the budgeting context, a capital acquisition effort is a unique effort that supports a program mission; it has a distinct start and end point with planned, interdependent activities undertaken to create a unique product, facility, system, or environmental condition.) As part of the Government Performance Review Act, the Department is now being scored on how well it carries out capital asset acquisition, which may account for a significant part of a funding request for the year. (Note that, based on the definition contained in Office of Management and Budget (OMB) Circular A-11, capital asset acquisition includes remediation of earth because, in the corporate world, land is a capital asset.) Tasks such as basic research, grants, and the operation and maintenance of facilities are usually excluded from the definitions of Capital Asset Acquisition (i.e., pure research, minor maintenance fixes). However, such projects may be included if they support a specific capital acquisition objective.

This Guide may be applied to any category of project such as Strategic Systems, Line Item Projects, Operating Expense-Funded Projects, or General Plant Projects. Efforts may include construction, renovation, modification, environmental restoration, and decontamination and decommissioning.

The project manager should recognize that the budget development process is in a state of flux and that this Guide is likely to be updated as the process evolves.

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2. PRINCIPLES AND PROCESSES

2.1 Current DOE Budget Development Cycle: The Project Manager's Role

To develop a budget to support capital acquisition efforts, a Conceptual Design Report/Activity Data Sheet or some other planning document and an initial resource loaded schedule are required. The initial schedule should be developed to bring the asset on line in the shortest, most economical time frame. The schedule should also account for escalation and a few "what if" scenarios. Once the schedule is developed, the project manager is ready to negotiate with the program office.

2.2 Field Budget Development

In response to the field budget call (UNICALL) issued by the Chief Financial Officer in mid-December, the project manager submits funding requests through the Operations/Field Office to the Program Office. Because the program office has multiple elements competing for limited resources, the project manager is advised to build a strong case for his/her project by linking it with the program's strategic plan. If the program is not able to provide the resources initially requested, the project manager should ensure that the program office understands how the project will be affected. As a result of such negotiations, the program office may decide to restore some of the funds to the project. Upon completion of the negotiations, the project manager will revise the initial schedule based on the program manager's decisions.

Once the schedule is developed, the project manager's budget staff can develop a Project Data Sheet (or Activity Data Sheet) that supports the agreement reached with the program office. This step marks the end of the field budget development cycle. Project managers should check to make certain local budget people do not change their input in a last-minute effort to meet a new target. If this occurs, the project manager should talk to the program office to restore the cut funds if possible. If the project manager does not succeed, he/she will need to redo the schedule to show the impacts on the project and to adjust to the changes made, including escalation. See Figure 2 for a summary of this process.

2.3 Headquarters Budget Development

After the Chief Financial Officer issues the Budget Call, the Assistant Secretaries prepare budgets for their programs, which integrate budget requests from the field. (See Figure 3.) During Headquarters budget development, funding numbers change quickly and often, making this process an iterative one. By cultivating a good working

relationship with the program managers and the program budget development staff, the project manager should be able to know how his/her funding request is faring throughout the Headquarters budget development process. The project manager should be ready at all times to defend the project funding request. After the internal Headquarters process is completed, the budget is submitted to OMB for approval.

2.4 OMB Budget Development

Before the budget is submitted to the Office of Management and Budget, the project manager should review the Project Data Sheet (or Activity Data Sheet), which is part of the OMB submission, to ensure it reflects project resource needs for outyears as well as the current budget year. (See Figure 4.) OMB may change the project manager's funding request by specific direction or through changes to the overall program budget request. Again the project manager should maintain contact with the program manager and be ready to defend the project's resource requirements. Depending on the outcome of the OMB review, the schedule may need to be readjusted to reflect changes in project resources that will be available in the current budget year and the outyears.

2.5 Congressional Budget Development

When the budget is submitted to Congress by the President, the project budget may be subjected to yet another review. This review is much like the OMB review and may result in another revision to resource loaded schedule. (See Figure 5.)

2.6 Additional Considerations

Because the budget process is a 3-year cycle, the project manager is likely to be working on budgets for 3 different years simultaneously. At the same time budget requirements are being developed for FY 98, Congress may be considering approval of FY 96 funding, and agencies are submitting requests for FY 97. (See Figure 6.) Although smaller efforts are not usually subjected to too much change, larger projects that are funded over more than 2 years may have funding problems over the course of the project. The project manager should maintain flexibility and be able to deal quickly with changes that develop as the project works its way through the budget cycles.

3. MEASURING FOR RESULTS

Based on requirements from the OMB (OMB Bulletin 95-03), any project that costs more than \$20 million shall report annually on its progress in completing the tasks shown in the initial Project Data Sheet/Activity Data Sheet presented to Congress. For any project that is more than 10 percent behind in scope/schedule or 10 percent over budget, the project manager will be required to document corrective actions and why the project should not be canceled. (See the Federal Acquisition Streamlining Act of 1994.) Because resources are limited, a project in trouble may be canceled or reduced to free funds needed to support other projects that appear to have no problems.

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4. SUGGESTED READING

- *Project Management Overview*, GPG-FM-001.
- *Critical Decisions Criteria*, GPG-FM-002.
- *Baseline Development*, GPG-FM-016.
- OMB Bulletin 950-03.
- Government Performance and Results Act of 1993.
- The Federal Acquisition Streamlining Act of 1994.

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5. ASSISTANCE

Please call Martin Newdorf at 202-586-9708 with your questions/comments.

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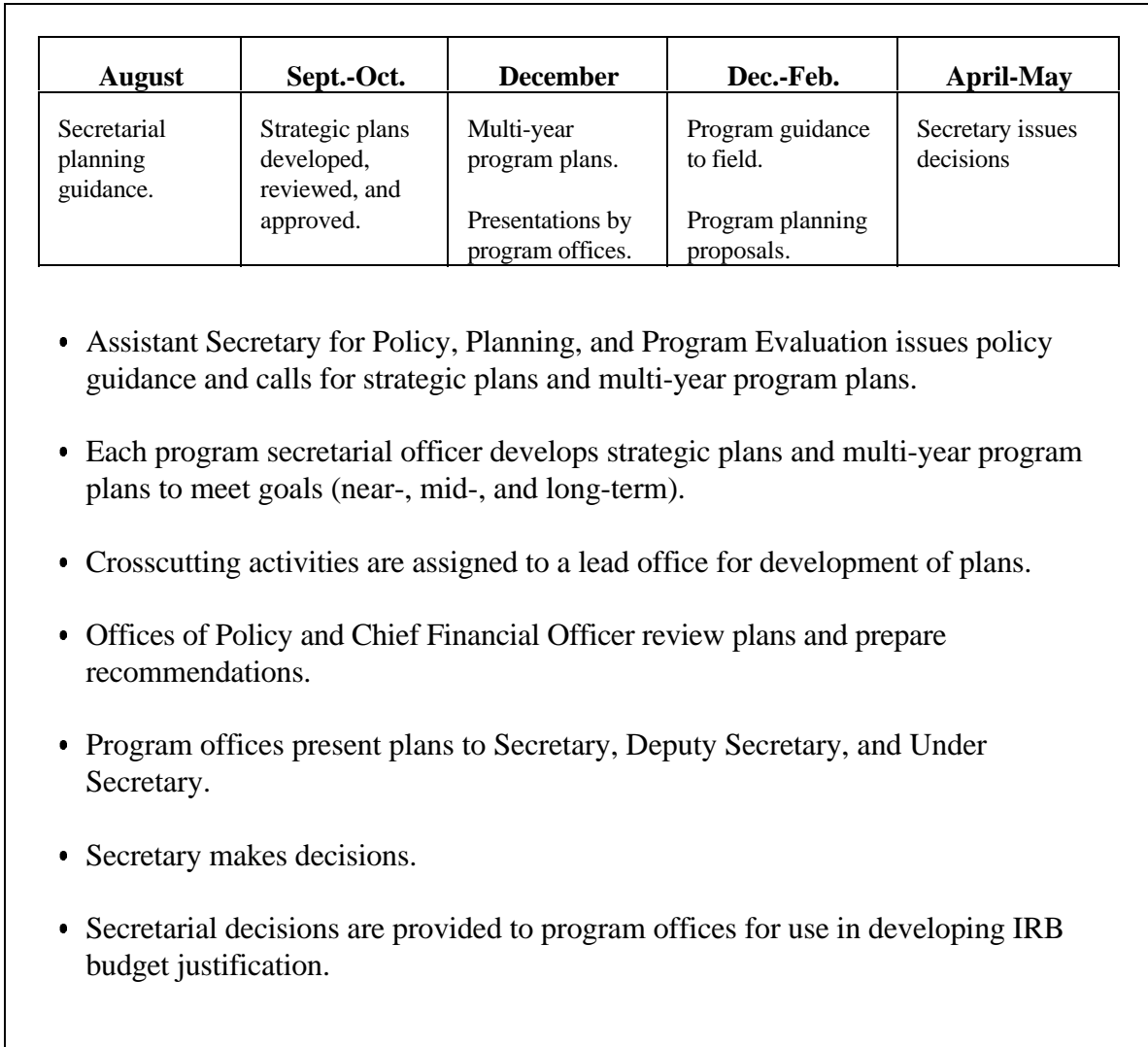


Figure 1. Strategic Planning Process.

December	January	February	April	April-December
Issue call	Budget requests submitted		Budget materials due	Input back

- Chief Financial Officer issues field call (UNICALL) mid-December.
- Each laboratory or other field facility prepares a request.
- Field operations offices review, evaluate, and forward requests to Headquarters.
- Headquarters program offices use this information to allocate funding.
- Field offices are kept informed.
- Project Data Sheet/Activity Data Sheet is developed.

Figure 2. Field Budget Process.

May/June	July	August	August
Issue call	Programs submit budget	IRB discussions	Decisions and final allowance

- Chief Financial Officer issues call to the program offices.
- Each Assistant Secretary prepares a budget request and submits it with a priority ranking.
- Chief Financial Officer's office reviews budgets and prepares recommendations.
- Consensus process followed in budget discussion.

Figure 3. Internal Review Budget Process.

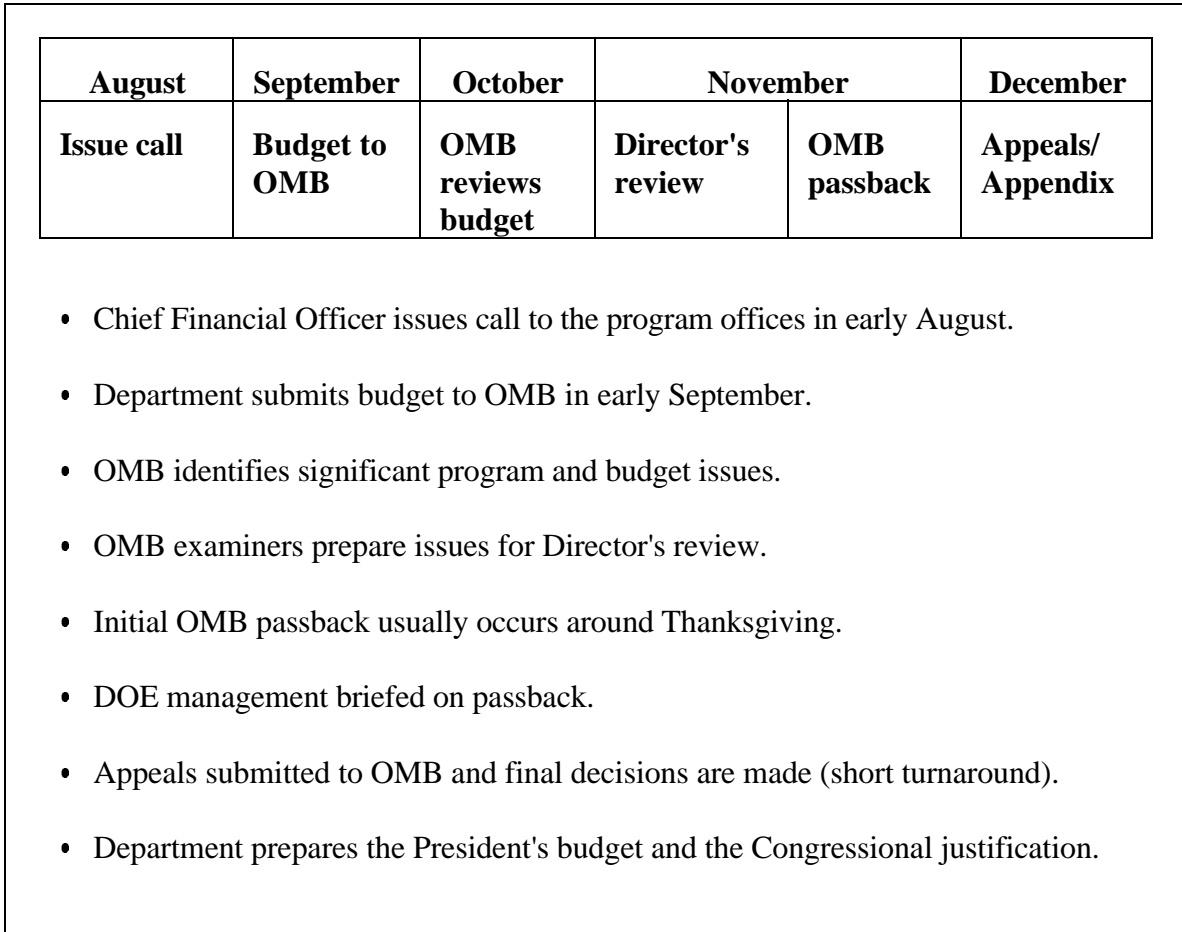


Figure 4. OMB Budget Process.

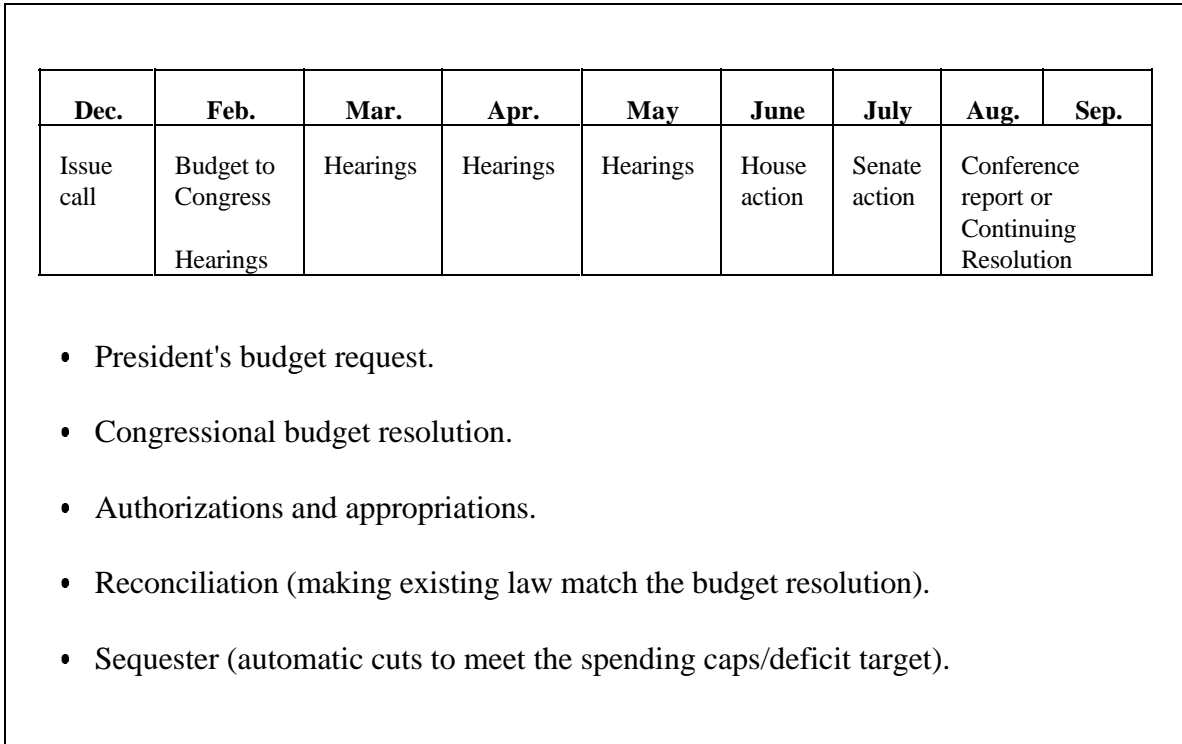


Figure 5. Congressional Budget Process.

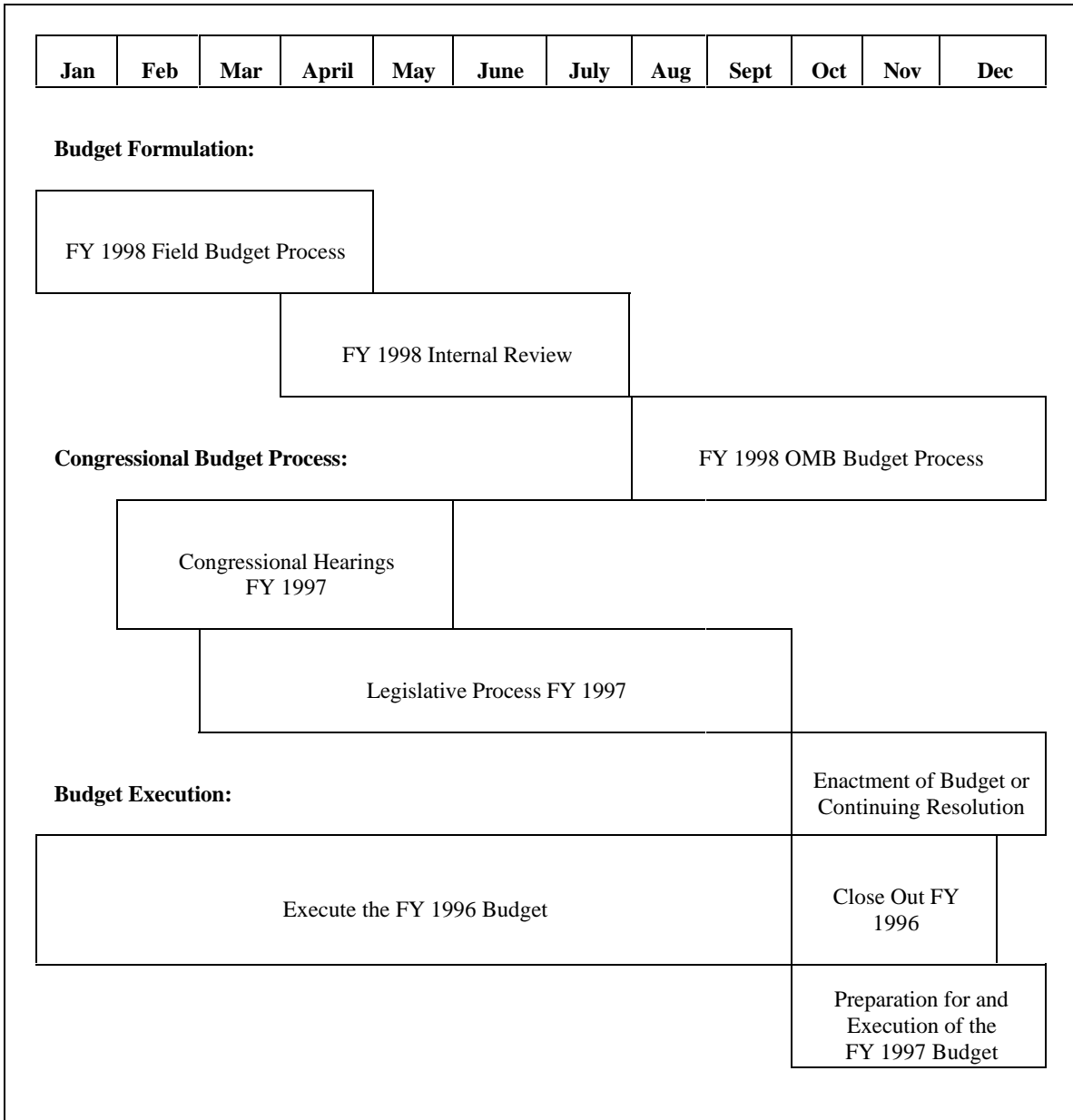


Figure 6. Budget Cycle (CY 1996).