

SECTION 30—BASIC POLICIES AND ASSUMPTIONS

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Summary of Changes

Emphasizes that agencies should use existing personnel to the maximum extent as part of their strategy to meet the President's Management Agenda (section 30.4).

Clarifies the guidance on making unit cost comparisons (section 30.5).

30.1 What should be the basis for my proposals?

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

- The policies of the President, including full implementation of the President's Management Agenda;
- Guidance provided by OMB, including that contained in spring guidance memoranda sent to the heads of agencies in April 2002, which include guidance on:
 - ▶ The National Strategy for Homeland Security;
 - ▶ Budget and performance integration management initiatives (including effectiveness ratings for approximately 20 percent of your programs);
 - ▶ The President's Management Agenda;
 - ▶ Funding guidance (within the amount that was included in the 2003 Budget for your agency);
 - ▶ Evaluation metrics for several major crosscutting, government-wide functions (if your agency has programs involved in this effort) and
- The judgment of the agency head regarding the scope, content, performance, and quality of programs and activities proposed to meet the agency's missions, goals, and objectives.

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

officials in the development of policy and budget priorities and programs with significant State and local impact. Make sure your estimates are consistent with strategic and annual performance plans.

30.2 What is the scope of the policy estimates?

(a) *Presidential policy estimates for CY and BY.*

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

- Continuing activities, including those that must be reauthorized for the budget year;
- Authorized activities that are proposed for the budget year;
- Amounts necessary to meet specific financial liabilities imposed by law; and
- Decreases for activities proposed for termination.

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

(3) *Supplemental proposals.* You should make every effort to conduct your programs within the amounts appropriated for the current year and to postpone actions that require supplemental appropriations. OMB will only consider supplemental requests that meet the criteria provided in [section 110](#). Supplemental requests that are known at the time the budget is prepared and approved are normally transmitted to Congress with the budget, rather than later as separate transmittals. However, each case will be decided separately after OMB receives the agency's initial submission (see [section 51.10](#)). OMB representatives will tell you which supplementals will be transmitted with the budget so you can submit the necessary information.

(b) *Presidential policy outyear estimates.*

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

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

30.3 What economic assumptions should I use when I develop estimates?

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

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

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

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

Reflect Federal pay raises in your estimates of personnel compensation and benefits (see [section 32.2\(b\)\(1\)](#)).

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

30.4 What assumptions should I make about growth in agency workload?

Assume that growth in your agency workload will be offset by productivity. Use personnel currently funded to the maximum extent in staffing new programs and expansions of existing programs. These actions should be part of your agency's strategy to meet the President's Management Agenda, and reflected in the integrated performance plan ([sections 31.11, 32.2\(a\)\(1\), and 220](#)).

30.5 How do I develop unit cost information?

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