

VOLUME III – BUDGET FORMULATION

**CHAPTER 3 – OPERATING UNIT SUBMISSIONS TO THE OFFICE OF THE
SECRETARY**

TABLE OF CONTENTS

	Page Number
Section 15 Instructions	<u>III (3) - 1</u>
Introduction	<u>III (3) - 1</u>
General Instructions	<u>III (3) - 1</u>
Section 16 Budget Justification	<u>III (3) - 2</u>
Table of Contents (Exhibit 1)	<u>III (3) - 3</u>
Organization Chart (Exhibit 2)	<u>III (3) - 3</u>
Executive Summary (Exhibit 3)	<u>III (3) - 3</u>
Summary of Goals, Objectives and Performance Measures (Exhibit 3A)	<u>III (3) - 3</u>
Priority Ranking of Changes (Exhibit 4)	<u>III (3) - 5</u>
Summary of Resource Requirements (Exhibit 5)	<u>III (3) - 5</u>
Summary of Reimbursable Obligations (Exhibit 6)	<u>III (3) - 6</u>
Summary of Financing (Exhibit 7)	<u>III (3) - 6</u>
Adjustments-to-Base (Exhibit 8)	<u>III (3) - 7</u>
Justification of Adjustments-to-Base (Exhibit 9)	<u>III (3) - 7</u>
Program and Performance: Direct Obligations (Exhibit 10)	<u>III (3) - 17</u>
Program and Performance: Reimbursable Obligations (Exhibit 11)	<u>III (3) - 17</u>
Justification of Program and Performance (by Subactivity) (Exhibit 12)	<u>III (3) - 17</u>
Contribution to Strategic Planning Goals and Objectives (Exhibit 12A)	<u>III (3) - 19</u>
Program Change for 20BY (Exhibit 13)	<u>III (3) - 19</u>
Program Change Personnel Detail (Exhibit 14)	<u>III (3) - 20</u>
Program Change Detail by Object Class (Exhibit 15)	<u>III (3) - 21</u>
Summary of Requirements by Object Class (Exhibit 16)	<u>III (3) - 21</u>

	Page Number
Detailed Requirements by Object Class (Exhibit 17)	<u>III (3) - 21</u>
Activity/Subactivity Change Crosswalk (Part I – CY Structure) (Exhibit 18)	<u>III (3) - 21</u>
Activity/Subactivity Change Crosswalk (Part II – BY Structure) (Exhibit 19)	<u>III (3) - 21</u>
Summary of Outyear Changes Requested (Exhibit 20)	<u>III (3) - 22</u>
Outyear Bridge Table (Exhibit 21)	<u>III (3) - 22</u>
Outlay Analysis Table (Exhibit 22)	<u>III (3) - 22</u>
Summary of Information Technology (Exhibit 23)	<u>III (3) - 23</u>
Appropriations Requiring Authorizing Legislation (Exhibit 29)	<u>III (3) - 23</u>
Justification of Proposed Language Changes (Exhibit 32)	<u>III (3) - 23</u>
Section 17 Presentation, Paper Size, Printing, Electronic Submission	<u>III (3) - 25</u>
Section 18 Performance and Accountability Report	<u>III (3) - 27</u>
Section 19 Internal Department Review	<u>III (3) - 31</u>
Programmatic Review	<u>III (3) - 32</u>
Technical Review	<u>III (3) - 32</u>
Section 20 Secretary’s Initial Allowance	<u>III (3) - 34</u>
Section 21 Appeals and Final Secretary Decisions	<u>III (3) - 35</u>
Section 22 Capital Asset Plan and Business Case (Exhibit 300)	<u>III (3) - 36</u>
EXHIBITS	APPENDIX A
WORKSHEETS	APPENDIX B

SECTION 15 – INSTRUCTIONS

A. Introduction

- 1) The Secretarial budget and planning request should be a reflection of various priorities for the coming budget year and should be a product of early internal review and decision-making within an operating unit. This budget and planning request begins the budget cycle within the Department of Commerce and leads to subsequent requests: the OMB budget and planning request and the President's Budget.

B. General Instructions

- 1) The request to the Secretary is in the form of a budget justification consisting of narrative and quantitative exhibits designed to allow operating units to describe their resource needs. The Office of Budget requires 15 copies of the budget justifications. The materials which follow provide technical guidance and instructions for preparing the required exhibits and narratives.
- 2) Previously submitted as a separate document, the operating unit's Annual Performance Plan (APP) is now incorporated on Exhibit 3A in the budget justification.
- 3) Budget amendments or proposals for supplemental funding for 20CY are prepared separately from the 20BY budget request to the Secretary and are discussed in chapter 6 of this *Handbook*.

SECTION 16 – BUDGET JUSTIFICATION

- A. An operating unit's budget justification request to the Secretary is a link in a continuous process of financial resource management and decision-making. As such, the Office of the Secretary must be provided with a justification that is comprehensive and which conforms fully to the instructions contained in this section. Failure to provide the necessary information in the required format weakens the operating unit's request, and makes the Secretary's review of that request more difficult and thus more subject to denial. The resource estimates contained in the justification typically derive from those of previous years. All references to resource estimates for previous years must agree with the resource estimates that were developed during earlier budget processes.
- 1) Except as noted below, estimates of 20PY and 20CY resources that the operating unit cites in its 20BY request to the Secretary must agree with the amounts presented in the previous year's appendix to the President's Budget and the amounts presented in the submission to the Congress (which, in turn, present the same amounts at all levels of detail).
 - 2) Amounts contained in the previous year's appendix to the President's Budget and the submission to the Congress are adjusted only by the amounts of amendments and supplementals that have been submitted to the Congress or by amounts associated with congressional action. Operating units may adjust detailed information to reflect reprogrammings agreed to by the Department and OMB and forwarded to the Congress. In the case where the Department delays implementing a reprogramming until congressional concurrence is received, adjustments should not be made in the exhibits until the response has been received. Pending reprogramming notifications are not reflected in the estimates.
 - 3) This instruction applies to all references to estimates of 20PY and 20CY resources in the 20BY request and at all levels in the program budget/structure.
- B. The following is a discussion of the exhibits required for the Secretarial request. A sample of these exhibits is provided behind the Exhibits tab. The exhibits demonstrate a typical operating unit request and amounts shown are consistent among exhibits. Shaded areas are for illustrative purposes only and are not included in totals. The operating unit summary materials consists of Exhibits 2, 3, and 4. The appropriation account materials begin with Exhibit 5, "Summary of Resource Requirements." Exhibits 10 through 15 appear consecutively for each subactivity. The materials should be prepared and assembled in the order identified below.

C. Table of Contents (Exhibit 1)

- 1) The table of contents is for the justification material. The materials are organized as displayed with separate sections for summary material, appropriation account material, and operating unit materials. Appropriation account material is shown separately by account. In the table of contents, subactivities are grouped by activity and page numbers are shown for each.
- 2) This exhibit, and all exhibits, should be labeled with the exhibit number in the upper right hand corner of the page.

D. Organization Chart (Exhibit 2)

- 1) This exhibit reflects the approved organizational structure at the time of the submission. If a change is proposed, two charts are required to show the current organization chart and the proposed structure.

E. Executive Summary (Exhibit 3)

- 1) This exhibit provides the operating unit with an opportunity to summarize its budget request in terms of operating unit priorities, Secretarial guidance and priorities, and Administration priorities. The summary includes the following headings: 1) General Statement; 2) Goals of the Program; 3) Statement of Objectives; 3) Summary of Proposed Changes. Operating units must discuss their budget request in terms of the Department's Strategic Plan.

F. Summary of Goals, Objectives and Performance Measures (Exhibit 3A)

- 1) This exhibit is the annual performance plan (APP) and is the primary location where most information related to the integration of budget and performance is provided. The exhibit provides a summary of the operating unit's performance outcomes (objectives for some specific bureaus) and associated measures, targets and resources available to the operating unit to achieve its stated outcomes and measures. The operating unit should show a six-year target history. For the secretarial submission, this should include three prior years, the 20CY targets, the latest President's Budget targets, and the 20BY. See pages 3 – 5 of Appendix A to this chapter for the table. Outyear targets should only appear in Exhibit 13. Actual funding data are also displayed for all available fiscal years. The dollar figures represent obligations by performance outcome. In the Resource Requirements table, funding amounts within each performance outcome are further detailed by the operating unit's program accounts and activities as cited in the annual Budget in Brief. Information technology (IT) funding and FTE amounts are also displayed for each performance outcome. OMB requirements for meeting the Government Performance and Results Act (GPRA) and for the Annual Performance Plan

are addressed in [OMB Circular A-11, section 200](#). Additional OMB requirements for the Performance and Accountability Report (PAR) may be found in OMB Circular A-136.

- 2) Bureaus may be requested to provide information on funding at a different or more detailed level, such as line office program activity and strategic objectives, for program changes in Exhibit 12A.
- 3) The exhibit should include the following information for each performance outcome: description of how each performance outcome supports the corresponding Departmental strategic goal; priorities and challenges affecting the proposed budget; related performance measure summary with actual and target information; measure description; relevant program changes that apply to the performance measure with a cross-reference to Exhibit 13; and validation and verification information for each measure.
- 4) Performance data for program changes should also appear in Exhibit 13, and should include 20CY, the latest President's Budget, and 20BY, and three outyears. If a program change has no related GPRA measure, the operating unit should propose a measure that will become a GPRA measure if the program change is accepted.
- 5) Include a Table of Contents specific to the 3A. Arabic numerals should be used for page numbering.
- 6) The exhibit should include the following sections, also to be listed in the Table of Contents:
 - i) Mission: Limit this section to no longer than a half page.
 - ii) DOC Goals and Objectives and Bureau Outcomes: Discuss how the bureau's outcomes support the Department's goals and objectives. Only include GPRA measures and significant long-term outcome measures. If a new outcome is added, a discussion that provides some context for the new outcome is required.
 - iii) PART Summary: Include discussion of relevant open PART recommendations and improvement plans. Status of prior year information in ExpectMore.gov may be cited as such and need not be repeated in the 3A. PART reviews done in prior years should only include scores, ratings, and open recommendations.
 - iv) Priorities and Management Challenges: Discuss how performance data and other evaluations have influenced the proposed budget and how the bureau will improve program performance. A brief, high-level discussion of performance may be summarized here.

- v) **Targets and Performance Summary:** This section combines into one table respective performance measure details, including prior year actuals and current and budget year targets, measure description, comments on changes to targets, relevant program changes with a cross-reference to Exhibit 13, and validation and verification information for that measure. Use one table per measure. Only list GPRA and long-term outcome measures. Note that for the secretarial submission, actuals should match prior year PAR.
- vi) **Program Changes:** The table for this section should cite the subsequent page in the budget justification where the program change and impact on performance measures are described in detail. Every proposed change should affect one or more GPRA measure. In rare instances where a proposed change does not affect a GPRA measure, propose a non-GPRA measure that will be affected. This measure will become a GPRA measure if the change is accepted. It is difficult to justify a program increase that does not reflect a measurable impact to a program. For more on Exhibit 13, see pages 28 – 33 of Appendix A to this chapter.
- vii) **Resource Requirements Summary:** The dollar amounts should reflect total obligations (including recurring reimbursables).

G. Priority Ranking of Changes (Exhibit 4)

- 1) Listed, in priority order, are adjustments-to-base and program increases and decreases to the 20CY for an operating unit. The highest priority change is ranked (1). If it is intended that a program increase in one area is to be offset by a decrease in another, the two are ranked with the same priority number. The page number next to each item indicates the page where the detail of the program change begins in the Justification of Program and Performance (Exhibit 12). The activity, subactivity and item descriptors are those used in the justification. The ranking includes a total line for full-time equivalent employment and direct obligations.

H. Summary of Resource Requirements (Exhibit 5)

- 1) This schedule is included for each account in which direct obligations will occur in any year covered by the budget. It consists of two sections.
 - i) The first section tracks FTE, positions, direct obligations, budget authority and appropriations from the 20CY President's Budget to the operating unit's 20BY estimate. (For operating units with identical amounts for direct obligations, budget authority, and appropriations, the first section of the exhibit can be simplified to show only budget authority.) The section includes:
 - (a) The President's Budget, 20CY is the amount included in the President's 20CY

budget, adjusted for any amendments which have been officially submitted to the Congress through OMB.

- (b) 20BY adjustments-to-base include uncontrollable cost changes.
 - (c) 20BY base is the 20CY President's Budget plus adjustments-to-base.
 - (d) 20BY program changes represent the net amount requested above or below the 20BY base.
 - (e) 20BY estimate represents the resources requested for 20BY and is the total of the 20BY base plus the 20BY program changes.
- ii) The second section of the exhibit provides a comparison by activity. It summarizes by budget activity and subactivity the total FTE, positions, budget authority, and direct obligations related to the following columns:
- (a) 20PY Estimate;
 - (b) 20CY President's Budget;
 - (c) 20BY Base;
 - (d) 20BY Estimate; and
 - (e) Increase / (Decrease) over 20BY Base.
- 2) Additionally, any adjustments such as transfers, financing from prior years, fee collections, etc., should be included in the Adjustments to Obligations section.
- 3) The detail by activity and subactivity should be identical to the 20CY President's Budget appendix unless a restructuring is proposed and an Activity/Subactivity Change Crosswalk, Exhibit 18 for 20CY or 19 for 20BY, is submitted.
- I. Summary of Reimbursable Obligations (Exhibit 6)
- 1) This exhibit displays reimbursable obligations in the same format as the comparison by activity section of Exhibit 5.
- J. Summary of Financing (Exhibit 7)
- 1) This is the same format as the Adjustments to Obligations section of Exhibit 5 but with the addition of lines for reimbursables and other offsetting collections. If there are no

offsetting collections, this exhibit should be excluded.

- 2) Exhibit 7 shows the relationship between total direct obligations and the budget authority and appropriation requested for 20PY, 20CY President's Budget, 20BY Base and 20BY estimate. The increase/(decrease) column will show the difference between the 20BY base and the 20BY estimate. The appropriation line reflects the effect of transfers.
- 3) This schedule is prepared on the assumption that all resources are expended in the year in which they become available unless there has been a policy decision to the contrary or, in the case of the budget year, a proposal to the contrary. Unobligated balances in 20CY and 20BY therefore, appear on this exhibit only as a result of policy decisions or budget year proposals.

K. Adjustments-to-Base (Exhibit 8)

- 1) This exhibit summarizes by item the budget authority and FTEs required for each adjustment-to-base (ATB). The ATBs are categorized by transfers, adjustments, financing, and other cost changes. A description of each of these categories is given in the next section. In order to qualify as an ATB, an increase or decrease must meet the following criteria:
 - i) represent the cost of the same level of effort as in 20CY;
 - ii) result from actions outside the control of operating unit management;
 - iii) be supported by specific documentation that provides a basis for the estimates; and
 - iv) be known, not probable, cost adjustments (i.e., a request for an ATB for increases in per diem rates should not be requested unless GSA has published new rates with an effective date).
- 2) Each spring, the Department's Office of Budget, Budget Coordination and Reports Division (BCRD), will issue annual guidance to aid in the development of the ATBs for the budget year. Included will be economic assumptions, standard benefit contribution rates, and information regarding other adjustments.

L. Justification of Adjustments-to-Base (Exhibit 9)

- 1) This exhibit details and justifies the amounts requested on Exhibit 8. Assumptions about factors such as retirement plan participation rates, health insurance rates, and life insurance rates are consistent throughout the explanations.
- 2) In the next sections, the most common ATBs are discussed. The format of this material

includes general guidance, followed by a sample standard narrative to be used by operating units.

- 3) In computing ATBs, operating units should use whole dollars to calculate all adjustments and round to thousands of dollars to determine the ATB. If a calculation comes out to exactly .5, round to the nearest even number. For example, 7.5 (or \$7,500) and 8.5 (or \$8,500) would be rounded to 8 (or \$8,000). Calculated rates should be rounded to three decimal points, (i.e., .051 or 5.1%). Rates provided by external sources will not be rounded.
- 4) ATBs should be based on the object class distribution provided in the 20CY congressional budget. Requests for realignments must be submitted to, and approved by, BCRD in advance of the Secretarial budget submission. It is suggested that operating units calculate standard ATBs using electronic spreadsheets (see Appendix B – III (3)) available from BCRD. This will ensure consistency among all operating units and also facilitate the preparation and review of these cost changes. These worksheets should be submitted as backup to the request. Other ATB increases requested must be thoroughly justified as to why they are uncontrollable and include the supporting documentation used in developing the estimates.
- 5) Most Common ATBs
 - i) Transfers
 - (a) Justifications for transfers must identify the operating units and accounts involved in the transactions. They must also state the reason and the purpose of the transfer. Documentation implementing the transfer, such as a signed memorandum of understanding, should be forwarded as back-up.
 - (b) Narrative example
 - (1) Pursuant to a memorandum of understanding dated January 2, 20PY, one FTE and \$31,000 will be transferred to Salaries and Expenses, General Administration, to provide support for the financial management system.
 - ii) Adjustments
 - (a) Adjustments will include uncontrollable cost changes unique to specific operating units. Examples of ATBs in this category are non-recurring items requested in the 20CY budget and adjustments due to OMB action. One example of an OMB action that may require an ATB is a reduction to the 20CY request based on anticipated recoveries of prior year obligations. An operating

unit may need to restore this reduction to the budget authority request to maintain the same program level.

(b) Narrative examples

- (1) Funds of \$57,000 requested for 20CY data processing activities will not be required in 20BY.
- (2) In 20CY, the budget authority request was reduced by \$1,000,000 based on offsets from anticipated recoveries of prior year obligations in 20CY. This ATB would restore the reduction in 20BY to maintain the 20CY program level.

iii) Financing

- (a) This category would identify financing of the proposed program level from funds other than the general fund or a special fund. Examples are new fees and estimated 20BY recoveries of prior year obligations. These estimates would be reported as reductions to the requested budget authority.

(b) Narrative example

- (1) In 20BY, this operating unit expects to realize recoveries of prior year obligations of \$1.5 million. This amount will be used to offset the budget authority in 20BY.

iv) Other Changes

(a) Pay Raises

- (1) Operating units should include the cost of annualization of 20CY pay raises.

(i) Narrative example

1. Full-year cost of the 20CY pay increase and related costs.
The 20CY President's Budget assumes a pay raise of 3.6% to be effective January 1, 20CY.
- (2) In addition, [OMB Circular A-11](#) requires agencies to use the pay raise percentage increase released in the economic assumptions for the 20CY budget. These rates will be provided as part of the annual ATB guidance. The rates will be applied to the General Schedule, Foreign Service, Executive Schedule, the Senior Executive Service, and wage grade

employees. Calculations of the pay raise may need revisions during the budget process based on revised OMB assumptions. The "A" Worksheets provide the format for computing pay raises.

(i) Narrative example

1. A general pay raise of 3.9% is assumed to be effective January 1, 20BY.

(b) Full-year cost in 20BY of positions financed for part-year in 20CY

- (1) Estimates for program changes that include additional personnel normally assume a delay in filling the new positions. That is, if a program increase requires four new people, cost estimates are based on the assumption that the four people will not start on October 1, 20BY, but on January 1, 20BY, due to the timing of the enactment of appropriations and personnel being hired and brought on-board. This would result in a 25% lower FTE usage in the initial year than subsequent years. The funding of this 25% increment in the second year is the annualization of the new positions and is treated as an ATB. The full-year amount is adjusted by a standard 5% lapse rate. Operating units should also include an adjustment to salaries to reflect the 20BY pay raise. See Worksheet B in Appendix B of this chapter for more specific instructions and back-up format.

(i) Narrative example

1. An increase of \$57,189 is required to fund the full-year cost in 20BY of positions financed for part-year in 20CY. The computation follows.

(c) Changes in compensable days

- (1) Not all fiscal years have the same number of compensable days. When the budget year differs from the current year, the cost change would require an ATB. [OMB Circular A-11](#) includes a table with the number of compensable days over a four-year period. (See the section on Estimating Employment Levels and the Employment Schedule.) The number of compensable days in FY 2008 is 262, two more than 2007. FY 2009 and FY 2010 both have 261. Therefore, an ATB for a change in compensable days is necessary in FY 2008 and FY 2009.
- (2) The ATB is calculated by dividing the applicable personnel compensation and benefits for the current year by the number of compensable days in that

year. If in a future year, there should be a difference of two compensable days, the above result would be multiplied by two. Include in the calculation, costs that vary with the number of compensable days, such as salaries, retirement contributions, TSP, OASDI, Medicare, and life insurance. Exclude costs that do not vary with the number of compensable days, such as the cost of other personnel compensation (overtime, SES performance awards, cash awards, health benefits, and the Employees' Compensation Fund). Overtime may only be included if it is a significant portion of personnel costs and is a continuing requirement for executing routine duties. See Worksheet D in Appendix B of this chapter for format of calculations.

(i) Narrative example

1. The increased cost of one more compensable day in 20BY compared to 20CY is calculated by dividing the 20CY estimated personnel compensation (\$6,708,000) and applicable benefits (\$791,000) by 261 compensable days. The cost increase of one compensable day is \$28,732.

(d) Civil Service Retirement System (CSRS)

- (1) Prior to January 1, 1984, most employees were covered by CSRS. On that date, the Federal Employees' Retirement System was implemented covering all new employees. Hence, as new employees are hired, the number and percentage of employees under CSRS decline. The decreased cost of employer contributions for CSRS is treated as an ATB and is the difference between the estimated cost of such contributions in 20CY and 20BY. Estimates for both years are based on total salaries subject to retirement; the CSRS participation rates (percentage of such salaries under CSRS); and the employer contribution rates. Salaries subject to retirement will be based on estimates provided in the 20CY congressional budget. The 20CY participation and contribution rates used in the calculations will be the percentages shown in the 20CY congressional budget. For 20BY, OB will issue annual guidance providing the projected participation rates for each operating unit. The CSRS contribution rates are set by law and will be included in the annual ATB guidance.

(i) Narrative example

1. The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered

by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 62.5% in 20CY to 61.7% in 20BY for regular and foreign service employees and from 90.9% in 20CY to 82.8% in 20BY for law enforcement employees. Contribution rates will remain the same.

(e) Federal Employees Retirement System (FERS)

- (1) This ATB reflects the increasing cost of employer contributions for the Federal Employees' Retirement System. The adjustment is the difference between the 20CY and 20BY costs of such contributions. Estimates for both years are based on the total salaries subject to retirement costs; the percentage of such salaries anticipated to be subject to FERS contributions; and the rate for employer contributions. Salaries subject to retirement will be based on estimates provided in the 20CY congressional justification. The 20CY percentage subject to FERS is the percentage shown in the pending 20CY budget request. The 20BY percentage equals the participation rate developed by the OB and provided to operating units. The Office of Personnel Management (OPM) is required by law to maintain FERS on a fully-funded basis. OPM uses periodic actuarial studies to determine funding levels necessary to maintain the viability of the system and adjusts contribution rates accordingly.

(i) Narrative example

1. The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 37.5% in 20CY to 38.3% in 20BY for regular and foreign service employees. The estimated percentage of payroll for law enforcement employees covered by FERS will increase from 9.1% in 20CY to 17.2% in 20BY. The contribution rate for regular employees will decrease from 13% in 20CY to 12.9% in 20BY. For foreign service employees, the contribution rate will increase from 21.86% in 20CY to 25.20% in 20 BY. The contribution rate for law enforcement employees will remain the same.

(f) Thrift Savings Plan (TSP)

- (1) Employees covered under CSRS and FERS may participate in TSP, a tax-

deferred savings plan. CSRS employees may contribute to this plan at no cost to the Government. For FERS employees, the Government is required to contribute a minimum of 1% but no more than 5% of each employee's salary, determined by the amount of the employee's contribution. The exact percentage will vary based on each employee's contribution. Estimates of TSP are based on salaries subject to FERS retirement, FERS participation rates, and the operating unit's contribution rate. The first two factors will be based on the FERS computations (discussed in the above paragraph). For the contribution rate, 2% has been the standard rate used by most operating units. However, operating units may use actual payroll data to develop a more accurate rate, but must submit supporting documentation as back-up.

(i) Narrative example

1. The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.

(g) Old-Age, Survivors and Disability Insurance (OASDI)

- (1) Estimates are based on the percentage of total salaries subject to FERS; the percentage of such salaries subject to OASDI contributions; and the applicable employer contribution rate. The percentage of total salaries subject to FERS will be based on the FERS ATB calculations. The salaries subject to OASDI contributions are capped each year by law. As the cap is raised, the relevant percentage increases. operating units will need to compute the percentage of salaries under FERS at or under the cap. The employer contribution rate will be included in the annual ATB guidance. The second part applies to those operating units having employees with salaries not subject to retirement contributions (i.e., temporary or intermittent employees). The estimate is based on the difference between total salaries and salaries subject to retirement contributions; the percentage of such salaries subject to OASDI contributions; and the applicable employer contribution rate.

(i) Narrative example

1. As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$82,800 in 20CY to \$87,750 in 20BY. The OASDI tax rate will remain 6.2% in 20BY.

(h) Health Insurance

- (1) Health insurance is an optional benefit. Employees can elect not to participate or can choose among a wide range of plans. The cost estimate of employer contributions for health insurance varies widely depending on the health plans chosen by employees. To develop the ATB for health insurance, operating units should compare the average health insurance cost per person before and after the annual rate increase in January of each year. The percentage difference between the two would be applied to health costs reflected in the 20CY congressional budget. See Worksheet E in Appendix B of this chapter for format of computation.

(i) Narrative example

1. Effective January 20PY, this operating unit's contribution to Federal employees' health insurance premiums increased by 10.7%. Applied against the 20CY estimate of \$366,000, the additional amount required is \$39,162.

(i) Federal Employees' Compensation Act

- (1) In the summer of each year, the Employment Standards Administration of the Department of Labor will provide the amount due for benefits paid on behalf of operating units' employees in the past year (July 1 through June 30) under the Federal Employees' Compensation Act. The difference between the current billing and the previous year's billing is requested as an ATB. For accounts subject to the appropriations process, the full amount billed is payable upon enactment of the 20BY appropriation.

(i) Narrative example

1. The Employees' Compensation Fund bill for the year ending June 30, 20PY, is \$7,225 higher than the bill for the year ending June 30, 20PY-1. Upon enactment of the 20BY appropriation, this operating unit will reimburse the Department of Labor \$82,824 pursuant to 5 U.S.C. 8147.

(j) Travel

- (1) When the General Services Administration (GSA) increases/decreases mileage and/or per diem rates, operating units should request the rate changes as ATBs. For mileage rate changes, the GSA rate difference would

be applied against the mileage estimate in the 20CY congressional budget to arrive at the ATB. ATB requests for per diem changes should be based on each operating unit's historical pattern of visited sites. The specific locations and the frequency of the trips should be considered. Based on these data, each operating unit would compute an average rate change and apply it to the per diem estimate in the 20CY congressional budget. See Worksheet F of Appendix B to this chapter for the format of the per diem ATB computation.

(i) Narrative example

1. Effective September 20PY-1, the General Services Administration raised the mileage rate from 32.5 cents to 34.5 cents per mile, a 6.2% rate increase. This percentage was applied to the 20CY estimate of \$31,000 to arrive at an increase of \$1,922.
2. Effective January 20PY, the General Services Administration raised per diem rates. This increase results in a 3.9% increase to this operating unit. This percentage was applied to the 20CY estimate of \$117,000 to arrive at an increase of \$4,563.

(k) Rental Payments to GSA

- (1) Each spring or early summer, the Department receives rate packages for GSA-controlled space. These packages are forwarded to each operating unit's space management staff for determining GSA costs for 20BY. The packages include proposed 20BY GSA rates and current square footage of each operating unit's location. Based on these data, space management staffs develop base estimates for GSA rent. Budget staff should contact that office for the estimated rent payment and request the increase or decrease over the 20CY estimate included in the 20CY congressional request as an ATB. If the estimates from this package are not prepared in time for inclusion in the Secretarial budget, operating units should use the interim average rate increase provided in the ATB guidance. However, this is only to be used until the estimates have been finalized using the GSA rate packages. At that time, operating units amend their requests to reflect the revised estimate.
- (2) After enactment of the 20CY appropriation and receipt of the OMB 20BY final allowance, rent estimates for both years may need revision. Budget and space management staffs should cooperate in developing the estimates

for inclusion in the 20BY congressional budget.

(i) Narrative example

1. GSA rates are projected to increase 2.9% in 20BY. This percentage was applied to the 20CY estimate of \$1,618,000 to arrive at an increase of \$46,922.

(l) Postage

- (1) When the Postal Service implements changes in postage rates, operating units should request the cost increases as ATBs. The rate increase would be applied against the postage estimate in the 20CY congressional estimate to arrive at the ATB.

(i) Narrative example

1. Effective February 20PY, the Postal Service implemented a rate increase of 16%. This percentage was applied to the 20CY estimate of \$85,000 to arrive at an increase of \$13,600.

(m) Working Capital Fund, Departmental Management

- (1) Operating units should not request an ATB for the Working Capital Fund in the Secretarial budget. OB will notify each operating unit of its allocation in either the initial or final ATB allowance memorandum.

(n) General Pricing Level Adjustment

- (1) Operating units may apply the most recent OMB non-pay Federal deflator to the 20CY congressional estimates for transportation of things, rental payments to others; communications, utilities, and miscellaneous charges (excluding postage); GPO printing, other contractual services (excluding CAMS and WCF), supplies and materials, and equipment to cover increases due to inflation. Applying this deflator negates the requirements for operating units to submit requests for specific contractual service and supply increases. Such requests will not be funded in allowances. Although there may be cost increases that exceed the applied deflator, there may be other terminating contracts or other unidentified decreases that may be used to accommodate any funding disparity for these items. The increased costs should be absorbed within amounts currently in base

funding or within the overall adjustments-to-base requested for the general pricing level adjustment.

(i) Narrative example

1. This request applies OMB economic assumptions for FY 20BY to object classes where the prices the Government pays are established through the market system. Factors are applied to transportation of things,(\$0); rental payments to others (\$0); communications, utilities and miscellaneous charges (excluding postage) (\$1,314); GPO printing (\$1,395); other contractual services (\$77,184); supplies and materials (\$1,476); and equipment (\$4,914).

M. Program and Performance: Direct Obligations (Exhibit 10)

- 1) This schedule displays the direct obligations and full-time equivalent employment associated with the line items within each subactivity. Where header strips for each item in this exhibit and the next one are brief, they may be followed on the same page by the start of narrative information to avoid wasting space.

N. Program and Performance: Reimbursable Obligations (Exhibit 11)

- 1) This exhibit is no longer required. Information will be requested on an as needed basis.

O. Justification of Program and Performance (by Subactivity) (Exhibit 12)

- 1) The justification covers every subactivity for which direct obligations will be incurred or FTE used in any year covered by the budget. Column headings will be identical to those found in the "Summary of Resource Requirements." The justification includes the following subjects, each under a separate heading. Each header is centered.
- 2) Goal Statement - Each base program narrative begins with a brief statement of the subactivity's goals. The goal is a one or two sentence description that links to a specific measure of program impact previously described in the executive summary.
- 3) Base Program - The base program narratives describe each of the operating unit's subactivities in detail, and they provide a framework for assessing whether resources are being used efficiently and effectively. The program narratives provide supporting information about line items to further explain the work performed in each subactivity.
- 4) Statement of Operating Objectives - The next section presents the subactivity's objectives for the budget period. These objectives set targets for the specific work that will be

performed in pursuit of policy objectives. They establish deadlines for achieving reorganizations, and they attempt to forecast when the benefits will be obtained. They define the expectations for the benefits to be derived from new technologies and initiatives.

- 5) Explanation and Justification - This section describes the subactivity's operations and services. It briefly describes the work carried out within the line items. It reveals which of the operating unit's organizations participate in the subactivity's operations. It explains what they do. It describes the field structure of the organizations, the characteristics of the client population, or any other facts needed to explain the nature and amount of work performed within the subactivity. It identifies major trends or other forces that can be expected to influence the subactivity during the budget period.
 - i) This section also explains the relationship between the subactivity's work and the operating unit's program impacts. It cites any evidence that measures the benefits of the subactivity's work or the contribution its work makes to the mission of the operating unit. It lists any factors that impede the measurement of the work's benefits and contributions.
 - ii) Finally, it explains any alternative means of achieving equivalent benefits. It indicates whether private sector alternatives to its operations exist. It also mentions any other Government programs that provide similar or competing services. It describes why such alternative service delivery options are unsatisfactory.
- 6) Measures of Performance (all sources of funding) - This section forecasts changes in the level of services and operations of the subactivity. Its purpose is to illustrate trends in the level of the subactivity's work. It presents performance forecasts that compare to the performance level proposed in the previous President's Budget. It contains supporting narrative necessary to define and explain the performance measures and is consistent with the operating unit's performance plan. The performance measures section of the base narrative should contain all performance measures associated with each subactivity line item.
- 7) Proposed Legislation - The justification highlights all requirements for new authorizing legislation. Included are requirements for extension of existing legislation as well as any legislative proposals for lapse or repeal of existing legislation. A description of the proposed legislation should describe the new legislation in detail and justify the need for it. This section of the justification serves as the basis for the departmental legislative package proposal.

P. Contribution to Strategic Planning Goals and Objectives (Exhibit 12A)

OB will advise those bureaus required to submit Exhibit 12A and will provide specific guidance as to what level of detail the data should be reported. For each program change, the Exhibit 12A shows 20PY, 20CY, and 20BY base, 20BY estimate, and increase/decrease from the base for program funding by line or program office.

Q. Program Change for 20BY (Exhibit 13)

- 1) The program change exhibit and its accompanying narrative are designed to provide a Departmental analyst sufficient information to understand what the operating unit is proposing and to determine whether the change is justified. The program change exhibit describes and lists substantive departures from the resource levels included in a subactivity's 20BY line item base. Program changes are defined as increases, decreases, or substantive changes without resource effects. The heading for this exhibit reads "Increase(s)," "Decrease(s)," or "Changes," as appropriate. The description of each change starts on a separate page.
- 2) Summary - The program change exhibit and narrative begin with a summary line that indicates the line item that would be affected by the program change. It also shows the affected line item's base resource level, the 20BY estimate that includes the effects of the change, and the incremental amount of the program increase or decrease. Following the base resources summary line, in a separate paragraph, is a summary description of the change with its short title underlined. (The short title is followed by the incremental amount of the change, in full-time equivalent employment and in dollars.)
- 3) Program Change Explanation and Justification - Following the summary description, if appropriate, describe specific components of the initiative and how the resources will be used. Do include a detailed discussion of past program performance and impact to current performance measures if funded. Especially important are those outcome oriented measures which indicate how the initiative impacts the economy (jobs, exports, etc.). Additionally, the initiative should also be put in the context of the Department's Strategic Plan by discussing which strategic themes and goals are supported. This discussion would be consistent with the operating unit's performance plan.
- 4) Performance Measures - Following the program change narrative is a table of the operating unit's performance measure(s) affected by the initiative. The table reflects the performance for 20CY, the latest President's Budget, 20BY and three outyears. The table should also reflect how performance will improve with the increase or change without the increase (or similarly how it will change with and without a decrease). These performance measures must be consistent with the measure(s) in the base narrative and in the operating unit's performance plan. If

the operating unit is unable to determine how the initiative impacts current operating unit performance measures, the initiative may be subject to denial. Note that the Exhibit 3A cross-references this section. For more information refer to A – III (3) - 32.

- 5) Costs - Following the Performance Measures table is a summary table of the program change's resource affects in the budget year and the outyears. All outyear resources are expressed in 20BY dollars. If appropriate, estimated cost increases for outyear changes are shown on the Summary of Outyear Changes Requested (Exhibit 20).
- 6) Resource requirements for program increases are sorted according to whether or not they are capitalized. Capitalized resources are defined as those used to acquire goods or services that will remain available beyond the fiscal year in which they are acquired or first placed in service, whichever is later. As a general rule, capitalized resources fall into three object classes, as defined by the [OMB Circular A-11](#): other services (25.0), equipment (31.0), and land and structures (32.0). Not all resources in these object classes are necessarily capital resources, however. Footnotes at the bottom of Changes for 20BY (Exhibit 13), as appropriate, clarify the assumptions used to distinguish between capitalized and non-capitalized resources. For additional reporting requirements for requests for capital assets, refer to Volume III, Chapter 4.
- 7) The summary table also displays the initiative's budget authority, outlays, and FTE in the budget year and the outyears. Footnotes at the bottom of Changes for 20BY (Exhibit 13), as appropriate, indicate those program change proposals where the life-cycle costs and benefits would not fully accrue during the period 20BY through 20BY+4. All such footnotes define the full life-cycle of the program change.

R. Program Change Personnel Detail (Exhibit 14)

- 1) This exhibit provides the basis for the estimate of personnel compensation for each program change requested. It includes the title and grade of each position and the number of positions requested for each. Salary figures reflect the 20CY rates at Step 1 of each grade for program increases and are based on the pay rate of the location where the new employees will be assigned. Estimates for salaries for program increases assume that new positions are filled no sooner than the beginning of the second quarter of the year. Such estimates, therefore, reflect no more than 75 percent of the full year cost of new positions. An adjustment for the 20BY pay raise to total salaries is shown on one line entry.
- 2) For program decreases, the current grades and steps for all positions to be eliminated are shown. An amount for benefits to former personnel is usually included when eliminated positions are not picked up elsewhere.

S. Program Change Detail by Object Class (Exhibit 15)

- 1) This exhibit shows the object class detail for each program change requested. The table includes all major object classes even if no funds are required for some.

T. Summary of Requirements by Object Class (Exhibit 16)

- 1) This exhibit is included for each account in which direct obligations will occur in any year covered by the budget. The Increase/(Decrease) column compares the 20BY Estimate to the 20BY Base. The total 20BY increase/decrease of all Exhibits 15 should equal the total increase/decrease column on the Summary of Requirements by Object Class, Exhibit 16. For more information on object classification, refer to [OMB Circular A-11](#).

U. Detailed Requirements by Object Class (Exhibit 17)

- 1) This exhibit follows the same format as the Summary of Requirements by Object Class (Exhibit 16), but provides more detail for the object classes. If other detailed categories are necessary, they may be included. The level of detail in the sample exhibit is the minimum level of detail required. For more information on object classification, refer to [OMB Circular A-11](#).

V. Activity/Subactivity Change Crosswalk (Part I - CY Structure) (Exhibit 18)

- 1) If no changes are proposed to appropriation or activity structure, this exhibit is not required.
- 2) If a change to appropriation or activity structure is proposed, this exhibit should be included displaying the budget request in terms of 20CY's Presidential budget structure and the proposed new structure.
- 3) The crosswalk displays the 20BY total direct obligations request in the activity/subactivity structure from the 20CY congressional justifications. It indicates the changes being proposed for 20BY and accounts for all subactivities. If no changes are proposed for a subactivity, it indicates "No change" under the "Proposed Changes" section of the table.

W. Activity/Subactivity Change Crosswalk (Part II - BY Structure) (Exhibit 19)

- 1) This crosswalk displays the activity/subactivity structure proposed for 20BY and redistributes total direct obligations amounts for 20PY-2 to 20BY in terms of the new structure. The amounts shown in the 20BY column reconcile to the changes proposed in

Exhibit 18. The amounts shown in all Exhibits 19 reconcile to Exhibit 18.

X. Summary of Outyear Changes Requested (Exhibit 20)

- 1) This table summarizes the requests for program changes and other adjustments in the budget year that will affect years 20BY+1 through 20BY+4. To ensure consistent starting points for the analysis and use of information in this table, it starts with a base program row, and includes rows for program changes; pay raises and estimated cost changes.
- 2) Program Changes - Listed here are annualization of 20BY program changes and other outyear program changes justified in the body of the narrative that involve changes in any of the years 20BY+1 through 20BY+4. Amounts are stated in terms of changes from the 20BY base. A program change which involves \$750,000 in 20BY and \$1 million in 20BY+1, for example, is shown here as \$1 million for 20BY+1.
- 3) Other Adjustments and Anticipated Cost Increases - Also listed and explained are all other adjustments.

Y. Outyear Bridge Table (Exhibit 21)

- 1) This exhibit is no longer required. Outyear information will be provided in Exhibit 20.

Z. Outlay Analysis Table (Exhibit 22)

- 1) This table provides outlay data for each account in which there are planned or actual outlays in any of the years 20PY through 20BY+4. Normally outlays for an account are projected on the basis of a single set of estimates of the rate at which funds will be outlaid for obligations. These estimates normally take the form of the percentages of a year's obligations for which funds will be outlaid in that year and each succeeding year. These percentages are often referred to as "spendout rates" and should be rounded to the nearest whole number. In cases, however, where programs within a single account have distinctly different spendout rates, such rates are used for projections and the standard table is modified accordingly.
- 2) In computing outlay spendout rates, operating units should consider the various lengths of time to liquidate different classes of obligations. For example, whereas payroll obligations are 95% outlaid in the year of obligation, construction obligations could take several years to be liquidated. Therefore, each operating unit should review their different sources of outlays in developing overall spendout rates. As follow-up, estimated outlays should be checked against actual outlays periodically to test their validity. For one-year accounts, a good source is the Treasury Annual Report which details the outlays made during the current year by the fiscal year in which the obligation

was made. For no-year accounts, operating units will have to rely on internal financial reports for verifying the spendout rates.

- 3) Resources Available for Outlay - This column shows all resources available to be outlaid. These resources consist of obligated balances at the start of 20PY and estimated obligations for 20PY - 20BY+4.
- 4) For selected revolving funds, where net obligations would be a negative number, the table should use gross obligations to calculate gross outlays and include a line for subtracting the absolute value of offsetting collections to arrive at net outlays. Exhibit 22 (Alternate) provides the format to use for these funds.
- 5) Outlays
 - i) The spendout rates used are consistent with the 20CY President's Budget. If different spendout rates are used, a narrative explanation is provided on a separate page following the outlay table. An explanation is also provided if spendout rates vary from year to year. Some reasons for proposing changes in spendout rates include one-time programmatic events or a consistent variance in the past between actual and estimated outlays.
 - ii) The total outlays shown in the last column equal the resources available for outlay for each year unless the projected spendout exceeds the number of years available on the table.
 - iii) If outlay estimates for 20PY and 20CY do not agree with the figures from the 20CY President's Budget, an explanation is provided on a separate page.

AA. Summary of Information Technology (Exhibit 23)

- 1) This table identifies financial resources for the prior, current, and budget years at the activity/subactivity levels reported on Exhibit 5. It cites IT investments within the activities/subactivities by title and unique project identifier used in the Agency IT Investment Portfolio ([OMB's A-11 Exhibit 53](#)). The data reported must be consistent with information provided on Exhibit 53.

BB. Appropriations Requiring Authorizing Legislation (Exhibit 29)

- 1) This exhibit is no longer required.

CC. Justification of Proposed Language Changes (Exhibit 32)

- 1) This table details substantive language changes to appropriation language included in the

20CY President's Budget. Changes should be sequentially numbered and footnoted in a brief paragraph describing the rationale for the proposed language change. Quotation marks should be used properly. Provisions proposed for deletion should be bracketed and new language should be underlined.

**SECTION 17 – PRESENTATION, PAPER SIZE, PRINTING, ELECTRONIC
SUBMISSION**

- A. Fifteen copies of the budget justification should be provided to the Budget Coordination and Reports Division for distribution within the office and to senior officials.
- B. Presentation
- 1) All narrative materials are typed single spaced in accordance with the formats provided in the exhibits.
 - 2) All exhibits begin on a separate page.
 - 3) The material is be clear and sharp and should contain no penciled additions, deletions or corrections.
 - 4) The Summary of Resource Requirements is printed on salmon-colored paper.
- C. Paper Size
- 1) All narratives and exhibits are printed in landscape mode on 8 ½ by 11 inch paper.
- D. Exhibit and Page Numbering
- 1) Each exhibit is numbered according to the established Department of Commerce convention, with "Exhibit XX" shown in the upper right hand corner of the exhibit's first page. Page numbers are preceded by the agency designations shown below. All pages are numbered consecutively within each agency. Page numbers appear in the lower right hand corner. Any changes or corrections made in the pages after the initial submission to the Department are marked "Revised" and dated. For example: DM-1 Revised 09-28-2007.
- E. Agency Designations

Agency – Full Name	Agency Designation
Departmental Management	DM
Office of Inspector General	OIG
Economic Development Administration	EDA
Bureau of the Census	CEN
Economic and Statistical Analysis	ESA
International Trade Administration	ITA
Bureau of Industry and Security	BIS
Minority Business Development Agency	MBDA

Agency – Full Name	Agency Designation
National Oceanic and Atmospheric Administration	NOAA
Patent and Trademark Office	USPTO
Technology Administration	TA
National Institute of Standards and Technology	NIST
National Technical Information Service	NTIS
National Telecommunications and Information Administration	NTIA

F. Printing

- 1) The following instructions are included on the CD-10:
 - i) Three-hole punch;
 - ii) 3/8" drill to be used;
 - iii) 4-1/4" center to center;
 - iv) To be centered on page;
 - v) Outside holes to be 1/4 inches from center of hole to edge of paper;
 - vi) Do not staple; and
 - vii) Print on both sides.
- 2) A sample for punching is normally attached to the CD-10.

G. Electronic Submission

- 1) The Office of Budget may provide electronic formats for operating unit use in submitting budget exhibits. Additionally, specific direction may be provided for operating units to submit their entire justifications electronically.

SECTION 18 – PERFORMANCE AND ACCOUNTABILITY REPORT

- A. The Office of Budget oversees the development of the Performance and Accountability Report (PAR) and the five-year Departmental Strategic Plan. These documents are required by the Government Performance and Results Act (GPRA).
- B. The Reports Consolidation Act of 2000 requires the combining of the Department's Accountability Report with the Annual Program Performance Report. The Office of Budget (OB) coordinates this effort with the Office of Financial Management (OFM) and the Office of Management and Organization (OMO). OB completes the Performance Report section; OMO completes the Management Discussion and Analysis section; and OFM completes the Financial Report section. The operating units are informed of scheduled deadlines and requirements.
- C. In FY 2007, OMB initiated an alternative to the current PAR document and process, called the PAR pilot program. This program allows agencies to split the PAR into two separate documents, the Annual Financial Report (AFR) and the Annual Performance Report (APR). The deadline for the AFR is November 15 of each year. The APR accompanies the submission of the Congressional budget in early February. At this time, the Department of Commerce has elected to complete a standard PAR, however, it is open to selecting the split option in the future.
- D. The PAR is organized into the following five sections:
 - 1) Introduction
 - 2) Management Discussion and Analysis (MD&A)
 - 3) Performance
 - 4) Financial
 - 5) Appendices
- E. The introduction includes the following:
 - 1) The Department at a Glance: Summarizes the Department in terms history, mission, bureaus, strategic goals, location, employees, financial resources and internet Web site.
 - 2) Table of Contents
 - 3) Statement from the Secretary: Provides an overview of the 20PY performance from the Secretary.

- F. The MD&A is the most complicated of the five PAR sections and includes the following parts:
- 1) Mission and organization: States the Commerce mission statement and shows its current organizational structure.
 - 2) FY 20XX Performance and financial highlights: Summarizes the Department's performance and financial position in the form of text, tables and charts.
 - 3) The Department of Commerce Process for Strategic Planning and Performance reporting: Outlines the process the Department has taken in terms of reporting performance.
 - 4) Most Important Results: Summarizes the results of each of the Commerce Strategic Goals.
 - 5) Stakeholders and crosscutting programs: In tabular format, summarizes the other agencies that work with and have a stake in Commerce programs.
 - 6) The President's Management Agenda: Summarizes the current Commerce status for each of the major five parts of the President's Management Agenda.
 - 7) Management Controls: Outlines the status of various management controls in place at Commerce.
 - 8) Inspector General's statement of management controls: Summarizes the top ten management challenges the Department currently faces.
 - 9) Actions taken to address management challenges: Summarizes actions the bureaus have taken in response to these challenges.
 - 10) Program Assessment Rating Tool (PART) status: Summarizes how Commerce has performed historically in terms of the PART and presents the most recent results.
- G. The Office of Budget (OB) and the corresponding bureau representatives complete the performance section. This section serves as the base for the Annual Performance Report should the Department ever decide to split the PAR. The performance section is structured by the three Commerce strategic goals and one management integration goal. Within each strategic goal are either three (Strategic Goal 2) or four (Strategic goals 1 and 3) objectives. Strategic goals 1 and 2 and the management integration goal cover more than one bureau, while Strategic Goal 3 is strictly NOAA. Within each objective are performance outcomes. Within these performance outcomes are text and tables of a given fiscal year's performance focusing on a bureau's achievement of a set of targets related to performance measures. At

the end of each objective is a section for “strategies and future plans” and “challenges for the future.” In the case of NOAA, these strategies and challenges are summarized for the entire strategic goal.

- H. The financial section is completed entirely by the Office of Financial Management and would be the basis for the Annual Financial Report, should the Department ever decide to split the PAR. It includes the following sections:
1. Message from the Chief Financial Officer
 2. Financial Management and Analysis
 3. Debt Management
 4. Payment Practices
 5. Analysis of FY 20PY Financial Conditions and Results
 6. Limitations of the Financial Statements
 7. Principal Financial Statements
 - i. Consolidated Balance Sheets
 - ii. Consolidated Statements of Net Cost
 - iii. Consolidated Statements of Changes in Net Position
 - iv. Combined Statements of Budgetary Resources
 8. Notes to the Financial Statements
 9. Consolidating Balance Sheet
 10. Required Supplementary Information
 11. Requirement Supplementary Stewardship Information
 12. Independent Auditors’ Report
- I. The Appendix section consists of the following six appendices:

1. Appendix A: Performance and Resources Tables – Provides a history of the performance measures that appear in the current PAR, with at least six years of historical data. Between FY 2008 and FY 2011, the Department is transitioning to ten years of historical data by keeping prior years and adding the new data. Further, this appendix provides an explanation of why a current target was not met, along with a strategy of how that target may be met in the future. It does not include any information on performance measures that have been discontinued.
 2. Appendix B: Discontinued or Changed Performance Outcomes / Objectives and Measures – Shows any changes that have been made between the current year's PAR and the previous year's PAR regarding performance outcomes and measures.
 3. Appendix C: Performance Measures Definitions – Provides definitions of the current measures, including validation and verification information for the measures.
 4. Appendix D: Improper Payments Information Act (IPIA) Report Details – Provides mandatory summary information concerning IPIA information.
 5. Appendix E: Summary of Financial Audit and Management Assurances – Two tables provide summaries of both of these items.
 6. Appendix F: Glossary of key acronyms
- J. Electronic Submission - The Office of Budget provides electronic template formats for operating unit use in submitting annual performance plans and reports. Additionally, specific direction will be provided for operating units to submit their entire plans/reports electronically.

SECTION 19 – INTERNAL DEPARTMENT REVIEW

- A. The purposes of this phase of budget formulation are to refine operating unit budget and planning requests, to assist the Secretary and other Departmental officials in making critical judgments, and to produce realistic and sound decisions about the Department's Budget year plans and OMB budget and planning requests. Specifically, this phase is intended to:
- 1) provide an independent review of requests and performance plans , including consistency with guidance; handling of major issues; and technical factors such as the basis for estimated data, completeness of underlying planning efforts, pricing assumptions, and validity of requests for ATBs;
 - 2) help operating units refine and strengthen the arguments and justifications presented in budget submissions and performance plans;
 - 3) assist the Secretary and other Departmental officials in shaping the Department's budget, and future course, in light of major objectives and issues, the plans of individual operating units and program areas, and the overall budget and planning targets and guidelines set by the President; and
 - 4) produce realistic, sound decisions and supporting justifications through systematic discussion and negotiation of differences in positions, and summarization of various review materials to focus on critical Secretarial choices.
- B. The review of budget and planning requests is conducted between the receipt of budget and planning submissions and submission of the Departmental request to OMB.
- C. The Office of Budget reviews budget and planning requests with the objective of settling as many issues as possible and developing further analyses and documentation of issues warranting attention by higher levels of Departmental management. Program reviews are conducted by staff in either the Technology and Environment Programs (TEP) Division or the Trade and Information Programs (TIP) Division in association with staff from the Systems, Policy and Performance (SP&P) Division. A concurrent technical review (i.e., adjustments-to-base and conformance with technical guidance) is conducted by the Budget Coordination and Reports Division (BCRD). Specific areas of focus include:
- 1) clarifying information submitted in the requests;
 - 2) obtaining supplementary information where needed to understand fully the requests;
 - 3) evaluating agency rankings of changes for consistency with Departmental policy; and
 - 4) identifying policy issues that may need to be resolved at higher levels.

A. Programmatic Review

- 1) The Office of Budget furnishes operating unit budget officers with specific written questions and data requests that should be resolved before recommendations can be made to the Secretary. Budget officers consult with program staff, as appropriate, in completing written responses to all questions within the time schedules communicated by the Office of Budget analysts and memoranda from the Director, Office of Budget.
- 2) The written questions are supplemented by staff reviews. Staff reviews are meetings conducted at each agency between Office of Budget staff and operating unit program staff. Operating unit budget officers and budget staff should attend these meetings since they are responsible for assuring that all follow-up information requested is forwarded to the Office of Budget.
- 3) Departmental staff offices such as the Office of the Chief Information Officer or the Office of Financial Management may participate in staff reviews when the budget request includes significant changes in resource requirements in their areas of responsibility.
- 4) It is expected that the staff reviews will resolve most non-policy questions and will refine and clarify significant policy questions for review and decision-making at higher levels.
- 5) The Office of Budget prepares an analysis and evaluation of the budget and planning request, including unresolved questions, after completion of the staff reviews. This material is used as the basis for recommendations presented to the Chief Financial Officer / Assistant Secretary for Administration and then to the Deputy Secretary.

B. Technical Review

- 1) BCRD conducts a technical review of budget requests concurrently with the programmatic review. This review verifies requested ATBs, outlay estimates, employment estimates and long-range estimates for the four years following the budget year.
- 2) The ATB review is conducted with the primary goal of treating all such requests equitably among all operating units. Though the annual guidance provides extensive standardized methods and guidelines for developing ATB requests, other information becomes available after the requests are received. For example, appropriate adjustments for the Employees' Compensation Fund may not be available until mid-summer. Therefore, BCRD usually develops standardized allowances for such adjustments which are applied to all operating units. The Director of the Office of Budget reviews the staff recommendations for ATBs. After approval of the recommendations, BCRD sends an "Initial Allowance for 20BY Adjustments-to-Base" memorandum to each operating unit

budget officer. The memorandum explains the basis for any differences from the requested amounts and, in some cases, specifies what additional information would be needed to support an ATB appeal. Operating units submit written ATB appeals to BCRD. The results of this second review are communicated in a "Final Allowance for 20BY Adjustments-to-Base" memorandum. Amounts in the final allowance are not appealable.

- 3) BCRD also maintains control numbers during all phases of the budget process, including the Secretarial phase. Requests and recommendations are scored based on the guidelines shown in the [OMB Circular A-11](#).

SECTION 20 – SECRETARY’S INITIAL ALLOWANCE

- A. A series of steps occurs after the Office of Budget program analysts complete their review of budget proposals and before heads of operating units receive the Deputy Secretary's initial decisions. Each step is designed to assure that all proposals have been considered equitably and that any proposals included in the request to OMB are consistent with the Department's other programs and the Administration's overall policy guidance.
- B. The Director, Office of Budget, meets with the BCRD Chief to review staff recommendations for allowances for ATBs. ATB allowances are summarized for the Assistant Secretary. Higher level consideration of ATBS takes place on an exception basis. The Director also meets with each analyst to review each operating unit's budget and planning request and alternative courses of action developed by the analyst. The Office of Budget's proposals are then reviewed by the Assistant Secretary, who may request that additional information or supporting materials be prepared prior to formal budget meetings with the Deputy Secretary. The Assistant Secretary review provides additional insight into policy considerations related to budget proposals.
- C. The Office of Budget then prepares materials for formal budget and planning briefings for the Deputy Secretary and immediate staff. Each operating unit's budget and performance plan is considered in a separate meeting. Office of Budget staff present the budget request and associated performance plan, the operating unit's rationale for all proposed changes from the base, and alternative courses of action as approved by the Assistant Secretary. The Deputy Secretary makes budget and planning decisions after review of all requests and plans, and receipt of all responses to requests for additional information. The Deputy Secretary then meets with the Assistant Secretary and Office of Budget staff to communicate the initial decisions on all requests and plans. The Office of Budget prepares, for the Deputy Secretary's signature, a separate memorandum to each operating unit head that discusses each item where the Deputy Secretary's passback decisions differ from the request and provides a time frame for appeals. Supplemental tables attached to the memorandum detail the resource requirements included in the initial decisions. The formats for these supplemental tables vary from year to year, but are designed to assist operating units in tracking, by line item, the differences between their request and the initial allowance.

SECTION 21 – APPEALS AND FINAL SECRETARY DECISIONS

- A. Each memorandum from the Deputy Secretary to the head of the operating unit includes, with a discussion of the policy reasons for the initial decisions, a time schedule and format for submission of appeals. Appeals must be presented in writing and listed in priority order. The Office of Budget prepares a standard format for operating unit use in preparing these written appeals. It is recommended that all appeals for increases include offsets to the Secretary's allowance in order to accommodate items appealed. The Secretary and/or Deputy Secretary set aside a block of time (generally 3-5 days) during which appeal meetings can be scheduled. The appeal meetings usually begin 1-2 days after the memorandum is sent.

- B. Appeal materials are addressed to the Secretary and submitted to the Assistant Secretary in accordance with the schedule specified in the Deputy Secretary's memorandum. The Office of Budget gathers appeal materials and prepares summary analyses for the Assistant Secretary and the Deputy Secretary. The Assistant Secretary discusses appeals with the Deputy Secretary and/or the Secretary. When the final decisions are made, the Office of Budget prepares letters to each operating unit head for the Secretary's signature. Final decisions of the Secretary cannot be appealed.

SECTION 22 – CAPITAL ASSET PLAN AND BUSINESS CASE (EXHIBIT 300)

- A. For the Secretarial (and subsequent OMB) submission, appropriate IT staff must complete an Exhibit 300, Capital Asset Plan and Business Case for all new IT budget investments and modifications or enhancements to existing systems, above base funding. An Exhibit 300 is also required for major systems meeting the criteria defined by [OMB Circular A-11](#), Section 300, Planning, Budgeting, Acquisition, and Management of Capital Assets. The level of detail in the Exhibit 300 should be commensurate with the magnitude of the investment. All non-major projects must be described in an Exhibit 300-1, an abbreviated form of the Exhibit 300. For each initiative, also provide a brief, high-level Initiative Summary describing the initiative, the fiscal year budget increase, the life cycle cost, and the budget line(s) providing the funding. A template of the Initiative Summary appears at the end of this section. Initiative Summaries and Exhibit 300s for new initiatives and those with increases above base funding are required at the same time as the due date of the budget submission. Exhibit 300s for systems without funding increases and Exhibit 300-1s are required by August 1.
- B. IT initiatives must be a product of the operating unit’s capital planning and investment control (CPIC) process. As part of the overall budget submission, provide a description of the CPIC process used to evaluate and select this year’s investments. This description is due at the same time as the budget submission.
- C. Key areas of the Exhibit 300 business case:
- 1) Adequate resources should be dedicated to IT security to ensure that the operating unit’s system and data integrity and continuity of operations are at an acceptable level of risk. A description in the Exhibit 300 of the system’s security and identification of the percent of dollars spent on IT security is required as part of the budget submission.
 - 2) Enterprise Architecture also requires attention. Answer the architecture questions in the Exhibit 300 completely and carefully. Ensure that the architecture documentation is up-to-date. Revised architectures should be completed by August, in time for the September budget submission to OMB.
 - 3) In addition to identifying the sponsor and key members of the project team, the business case should discuss the project management structures, responsibilities, and personnel qualifications that will contribute to the successful achievement of cost, schedule, and performance goals.
 - 4) Solid performance measures are a core element in your justification.
- D. The CITRB will review selected IT investment proposals. It will notify project sponsors of

the proposals selected and those project sponsors should then prepare a briefing for the CITRB that addresses the criteria shown at the end of this section. The CITRB will evaluate initiatives and make recommendations to the Office of Budget during the budget review process. Presenters should provide a copy of the briefing charts to the CIO's office at least two days before the scheduled presentation. Office of the CIO staff, supported by acquisition, budget, and other staff, will evaluate initiatives that are not presented to the CITRB. Recommendations from this review process will also be provided to the Office of Budget. The CIO will notify project sponsors of the date for their briefings.

E. Evaluation Criteria

1) Basis for Investment

- i) Benefits, tangible and non-tangible, including return-on-investment and benefit-cost analysis.
- ii) Consideration of all the alternatives.
- iii) Support of the operating unit's (OU's) missions, goals, and information quality standards, including performance measures to assess the value of the investment.
- iv) High rating from internal OU evaluation process.

2) Project Management

- i) A description of how the project will be managed.
- ii) Project plans that cover the full life cycle of the project.
- iii) Performance measures to assess the management of the project, including measures of cost, schedule, and performance. A system to monitor these measures and report on deviations.
- iv) The experience of the OU with projects of this size, scope, and complexity.

3) Risk Management

- i) Key project risks and a description of how they will be mitigated, addressing the technical solution and use of a modular approach.
- ii) A description of how the acquisition strategy will manage procurement risks and address accessibility.
- iii) Support of the OU's information quality standards.

- iv) Use of commercial-off-the-shelf products.

F. IT Security

- 1) A description of how the project is compliant with the DOC and the OU's IT Security Program.
- 2) The baseline IT security management, operational, and technical controls necessary to protect the project investment, and the supporting risk and benefit/cost criteria for selection of the controls.
- 3) The status of continuity of operations planning, documentation, and testing.
- 4) A description of Critical Infrastructure Protection applicability to the project and the relative priority of the project investment to the Department's mission.

G. Architectural Compliance

- 1) Demonstration of how the project is compliant with the OU's IT architecture and technical reference model and the Office of Management and Budget's Business Reference Model.
- 2) Integration of this system with others at Commerce and Government-wide to promote efficiency, connectivity, and economies of scale.
- 3) Use of commercial-off-the-shelf products.
- 4) Support for the OU's information quality standards, including reproducibility.
- 5) Steps taken to address accessibility.
- 6) Actions taken to implement the Government Paperwork Elimination Act, if applicable.

H. Administration/Departmental Goals and Initiatives

- 1) Support for Administration, Office of Management and Budget, Secretarial, and/or Departmental initiatives, including E-Government.