

## SECTION 51—BASIC JUSTIFICATION MATERIALS

<b>Table of Contents</b>	
51.1	General requirements
51.2	Requirements for justifying programs and financing
51.3	Analysis of resources
51.4	Relationship of justification to account structure
51.5	Agency restructuring or work process redesign
51.6	Information on grant programs and infrastructure investment
51.7	Performance indicators and performance goals
51.8	Other analytical information
51.9	Information on program evaluation
51.10	Explanations relating to supplemental appropriations requests
51.11	Major changes in receipts estimates
51.12	Unobligated balances in liquidating accounts

**51.1 General requirements.***(a) Summary information.*

Provide information to your OMB representative on the following:

- The broad policies and strategies proposed and the total amounts of discretionary and mandatory budgetary resources and FTE requested.
- The relationship of the policies, strategies, and resources requested to the implementation of the President's Management Agenda.
- The relationship of the policies, strategies, and resources requested to the planning guidance for budgetary resources and for FTE provided by OMB.
- Significant proposed differences, if any, from current Administration policies.
- The most important program performance indicators and performance goals, including those that are positive and negative with respect to performance and that are the basis for the major proposed policies.
- Any significant proposals for changes in the current year budget, and the relationship of such changes to the budget year and outyear requests.
- Any significant proposals or changes in spending patterns for the five to ten year period beyond the budget year, and their relationship to outyear planning guidance and the policies proposed for the current and budget year.
- If you determine that your agency needs additional funding for individual programs in excess of the FY 2006 guidance levels to meet the President's priorities, you are welcome to submit a separate submission that proposes and justifies the additional funding. This separate submission should also identify potential discretionary offsets in lower priority programs within your agency's budget.

You must also include a listing of the budget authority and outlays and FTE requested through BY+9, where applicable. Itemize this list by account showing proposed supplementals, pending supplementals, rescission proposals, and legislative proposals separately. Deduct offsetting receipts to arrive at the net amount of the agency request. In addition, include an analysis of outlay estimates reflected in your agency budget request, with the form and level of detail to be determined in consultation with the OMB representative.

Refer to sections 30 through 33 for general information and policies related to developing estimates and proposals and responsibilities in reporting data. Remember that development of your budget request and annual performance plan should be coordinated.

(b) *Certification of obligations.*

[31 U.S.C. 1108\(c\)](#) requires the head of each Federal agency, in connection with submission of all requests for proposed appropriations to OMB, to certify that any statement of obligations furnished consists of valid obligations, as defined in [31 U.S.C. 1501\(a\)](#). The certification may be in the form of the following paragraph:

"As required by section 1108(c) of Title 31, United States Code, I am reporting that all statements of obligations furnished to the Office of Management and Budget in connection with the [name of agency] requests for proposed appropriations for the fiscal year 20[BY] consist of valid obligations as defined in section 1501(a) of that title."

You must furnish this certification no later than November 20th.

## **51.2 Requirements for justifying programs and financing.**

You must provide a written justification when you submit your budget. You should determine specific informational requirements and timing of submissions in consultation with your OMB representative.

Budget submissions to OMB should be in the form of a "performance budget" to the greatest extent possible. Section 220 provides detailed instruction on developing and submitting a performance budget.

A performance budget starts from an overview of what the agency intends to accomplish in the budget year. The overview, structured like the strategic plan, would show past and expected outcomes for each strategic goal, how supporting programs would work together toward them, and how past shortcomings would be remedied. Summary tables would show the "pyramid" of how program outcomes and targets support the outcomes for the strategic goals and objectives. Tables would also show the full cost paid by the agency toward each strategic goal and for each program. (See section 200.2 for definitions of performance terms, such as "strategic goal".) The remainder of the budget may be presented by bureau or other organization, but each entity should analyze its contributions to strategic goals, followed by detailed analysis of supporting programs—based on the Program Assessment Rating Tool (PART) information wherever available. Your budget request should be justified on the basis of resources needed to make planned progress toward the strategic goals, and achieve the annual targets set for the program outcomes. Because the plan would be integrated into the performance budget, a separate annual performance plan would not be needed to satisfy GPRA requirements.

In summary, a "performance budget" should include:

- An overview of what the agency plans to accomplish, organized by strategic goal;

- Background on what the agency has accomplished;
- Analyses of the strategies the agency uses to influence strategic outcomes and how they could be improved;
- Analyses of the programs that contribute to each goal and their relative roles and effectiveness, determined by program evaluations and using PART assessments when available;
- Performance targets for current and budget years for programs and strategic goals, how they relate in a "pyramid" of outcomes, and how you expect to achieve those targets; and
- What resources you are requesting to do so, including the usual supporting documentation.

Where possible, you should include the full cost of a program, and you should align budget accounts and program activity lines with programs or the components of the programs that contribute to a single strategic goal or objective.

Your request should be consistent with the funding levels included in policy guidance. If the request is not consistent with policy guidance, you must provide a summary display of what your budget request would be at the policy guidance levels and the reasons why a budget request consistent with the guidance is not appropriate. In addition, you may be asked by your OMB representative to identify and discuss the implications of other funding levels.

Prepare your justification in concise, specific terms and cover all programs and activities of your agency. Use tables, charts, and graphs in lieu of or to supplement text. Prepare materials in a manner designed to provide all of the information that you and OMB have agreed is necessary for OMB to understand and evaluate your agency's request and make its determinations.

You must identify the anticipated price level changes reflected in the financial resources required to finance each program level in your justification materials.

If you have funding requests for major capital asset acquisitions, follow the guidance in Part 7 (section [300](#)) of this Circular. Additional guidance appears in the [Capital Programming Guide](#), which is published separately.

You are required to provide the following with the justification materials:

- An analysis of resources.
- Where possible, the full cost of a program and budget accounts aligned with programs.
- Information on agency workforce planning and restructuring to make the agency more citizen-centered (see section [32](#)).
- Information on grant programs and infrastructure investment (see section [51.6](#)).
- Integrated information on performance indicators and performance goals as a "performance budget" (see section [51.7](#)).
- Information on program assessment through the Program Assessment Rating Tool (PART) (see section [51.9](#) and [26](#)).

At the discretion of OMB, you should include the following information for legislative proposals:

- Your estimates of the costs of implementing or administering proposed legislation.
- The assumptions underlying your estimates, including new work years, program outputs, and costs of inputs such as materials, contract costs or personnel costs. You should also include a discussion of alternative implementation strategies considered (e.g., contracting out versus in-house), and a discussion of any models used to develop your estimates.
- The budget classification (mandatory or discretionary) of the costs of implementing and administering the legislative proposal along with a written justification for your selection.
- Productivity savings and/or offsets for these costs. You should also provide a discussion of the methods and assumptions underlying your estimates for productivity savings and offsets.

You should also include the following:

- A comparison of total program benefits and total program costs, using quantitative, objective data to the maximum extent possible, as well as qualitative or judgmental material.
- A comparison of the marginal benefits and the marginal costs associated with the additional funds or reduced funding proposed.
- Supporting information that takes into consideration agency and outside (e.g., think tanks, GAO, CBO, universities, interest groups) program evaluations and related analytic studies, whether or not they agree with the proposed policy.

At the discretion of your OMB representative, these requirements may be modified or alternative justification materials specified. It should be emphasized that late decisions on proposed law provisions for the budget will require flexibility in this process. Other materials may be requested by your OMB representative.

### **51.3 Analysis of resources.**

Use a tabular presentation to identify the financial and personnel resources required at the program levels under consideration. Include also a breakout of resources (financial, and if available, personnel) within each program level for all IT expenditures, and for all expenditures on major IT investments (those for which exhibit 300 is required). All justifications should clearly show in text and tables the IT investment request within each account and program activity level. To the extent possible, you should attempt to align your budget accounts with programs, distinguishing among components that contribute to different strategic goals or objectives. This should relate PARTs (see [section 220](#)) and budget accounts or sub-accounts.

In addition, you should include the full cost of a program where possible.

- In some cases, you may want to consider requesting budgetary resources to cover all indirect costs in the budget account or program activity that funds the program, and paying for all central services as they are used.
- In other cases, you may want to request appropriations for some central accounts providing support services; in these cases, you should include a table showing the full cost of resources used by each program, whether paid from its budget account or not.

Present resources required for PY and CY, as well as the estimated requirements for each funding option for BY through BY+9, where applicable. If current year rescissions, deferrals, or supplementals are pending or proposed, identify these separately. A subsidiary breakdown of such items as personnel compensation, capital outlay, or other categories of special concern would be useful.

Generally, present financial data in terms of new budget authority and outlays. However, your OMB representative may require additional measures, such as unobligated balances and offsetting collections.

Express personnel requirements in terms of full-time equivalents (see section [32.1](#)). You must demonstrate that requests for FTE levels:

- Are an effective and efficient use of resources to meet program requirements;
- Are consistent with Administration policy;
- Are consistent with proposed funding levels;
- Can be justified in conjunction with requests for other resources;
- Comply with applicable laws (e.g., buyout offset requirements); and
- Are realistic in light of past, actual FTE usage. In those instances in which budgeted positions greatly exceed actual or projected FTEs, the FY 2006 request for budgeted positions (if applicable) should be realigned/reduced to reflect the reality of agency's FTE levels.

Fully justify changes to the FTE levels in any year in terms of program management requirements. If you request an increase, prepare an analysis of agency-wide FTE that fully documents why FTE cannot be moved from another function to meet the identified need.

Describe budgetary resources and FTE requests in the context of your management plan for the programs and activities. Describe resources requested for IT investments in the context of your program requirements. For IT expenditures proposed, demonstrate that all opportunities for coordination with the Administration's goals, and eliminating redundant activities, have been explored. Explain the analysis used to determine the resources needed to accomplish program and Administration goals, and demonstrate that all opportunities for making more efficient and effective use of resources have been explored.

#### **51.4 Relationship of justification to account structure**

To the extent possible, you should attempt to align your budget accounts with programs, distinguishing among components that contribute to different strategic goals or objectives (see above). Where the major programs in your justification materials do not coincide with the budget account structure, prepare a table to show the relationship. Arrange this table by program, with all relevant accounts and parts of accounts listed, showing budgetary resources (usually budget authority) in millions of dollars and FTE. Include breakouts of financial resources within each account activity line for total IT expenditures. Report programs that are mainly grants, contracts or other transfers of funds to entities other than your agency, related salaries and expenses accounts and parts of accounts, including allocations of overhead amounts. Where it is helpful to explain the coverage of the table or the relationship among accounts, prepare a short narrative to accompany the table. This requirement only applies to major programs and activities. You should consult your OMB representative to ensure that you provide tables for appropriate activities and that you avoid unnecessary paperwork.

### **51.5 Agency restructuring or work process redesign.**

You should identify restructuring or process reengineering activities resulting from proposed and current investments in information technology and other areas that yield budgetary savings. Indicate how these activities allow your agency to utilize existing resources better while improving program management and service delivery.

### **51.6 Information on grant programs and infrastructure investment.**

Include copies of systematic economic analyses of expected benefits and costs completed in accordance with [Executive Order 12893](#). OMB Bulletin No. 94-16 provides additional guidance on this Executive Order, including a listing of the accounts covered by the Order.

### **51.7 Performance indicators and performance goals.**

As with the FY 2005 Budget, the performance budget submission for FY 2006 will serve as the performance plan required by the Government Performance and Results Act. Therefore, you need not submit a separate performance plan to comply with GPRA. Your submission should cover all of your agency's programs. For programs that have been assessed using PART, include the measures and targets that were included in the PART. For other programs that have not yet been assessed, the measures and targets included in the performance budget should be consistent with the strategic goals and meet the standards of the PART.

You should provide integrated budget and performance information for the listed outcomes and outputs in sufficient detail to allow OMB to pass back both budget and performance levels. In addition, you may include in your budget justification additional relevant performance information to explain major program issues or resource requirements. Any additional performance information that you include in your justification materials must be consistent with the performance information in the PARTs for programs that have been rated.

Your submission should consider all statutory requirements of the "annual performance plan" required by GPRA. [Section 220](#) contains more detailed information on performance plans.

Your submission should include descriptions of the means and strategies, including resources, processes, and technologies, to be used in achieving the performance goals. In many instances, these means and strategies are considered to be inputs. A well-conceived and thoughtful description of the means and strategies to be employed will help bolster confidence that there is an understanding of what is needed to achieve a certain performance level and good likelihood that the goal will be achieved.

The "means" include:

- Operational processes, such as changes in work methods or sequencing, workforce adjustments, and shifts in responsibility for particular tasks;
- Staff skills, and the development, introduction, and use of technologies; and
- Human resources, capital assets, information technology, and other resources.

The descriptions of these means should be brief, focusing on the resources, processes, and technologies reflected in the budget request, with more detailed elaboration provided when a significant change (increase or decrease) from the previous year's levels or operating modes is proposed.

The "strategies" an agency intends to apply in achieving particular performance goals should also be highlighted. These strategies include program, policy, managerial, regulatory, and legislative initiatives and approaches.

Agencies should note the increasing emphasis on the use of workforce planning and other specific strategies that align human resources with the fulfillment of an agency's mission and objectives, and the need to secure a diverse Federal workforce that is skilled, flexible, and performance-oriented with a customer focus.

The descriptions need not be confined to initiatives or changes that are newly funded in the fiscal year. Initiatives or investments started in prior years, but which become operational or will be completed during the fiscal year, can be included. Some changes can carryover and affect performance in future years as well.

For the budget year, confirm the continuing use of program performance indicators used in any previous years' financial statements, and identify any new indicators you plan to use in these statements. In addition, you should include in your budget submission to OMB and the Congress the prospective portions of the annual performance report that will not be included in the Performance and Accountability Report:

- Evaluations of the performance plan for the current year;
- Revised schedules for achieving performance goals; and
- If the performance goal is impractical or infeasible, why that is the case and what action is recommended.

### **51.8 Other analytical information.**

Additional information may be required in budget justifications on the following:

- Workload analyses.
- Unit costs.
- Productivity trends.
- Impact of capital investment proposals on productivity.

Use productivity measurement, unit costs, and organizational performance standards to the maximum extent possible in justifying staffing and other requirements.

Include as a specific element in productivity improvement for activities of Federal staff the gains planned or being realized from streamlining, including reduction of unnecessary overhead, creative use of technology, and elimination of low priority tasks and programs.

You should also be prepared to provide information on the basis for distributing funds (e.g., formulas or principles for allocation, matching, policies regarding the awarding of loans, grants or contracts, etc.) and data on resulting geographic distribution (e.g., by State, etc.), with identification of any issues.

### **51.9 Information on program evaluation.**

Program evaluation is an important aspect of program planning and monitoring, assessing program results, and determining future funding levels. It is essential in determining whether agencies have

achieved long-range performance goals. The Program Assessment Rating Tool (PART) addresses program evaluation; see PART guidance for question 2.6 at [http://www.whitehouse.gov/omb/part/2006\\_part\\_guidance.pdf](http://www.whitehouse.gov/omb/part/2006_part_guidance.pdf).

If you have made an interim adjustment to your strategic plan, you should include it with your budget submission (see Section 210).

#### **51.10 Explanations relating to supplemental appropriations requests.**

When you forecast the need for a program supplemental appropriation, you must prepare justification material in accordance with this section. Provide information indicating why the request was not included in the regular estimates for the period concerned and the reasons why it is considered essential that the additional appropriation be granted during the year. Submit proposals for offsets to be made elsewhere in your agency for both mandatory and discretionary resources along with your requests for supplementals, and indicate related FTE savings or requirements and appropriate financing changes. If the estimate is approved for later transmittal (rather than in the budget), you will be required to submit further justification of the supplemental estimate to OMB (see section [110.3](#)). Show the effect of requested supplementals in the appropriate portions of the justification material for the program elements affected.

#### **51.11 Major changes in receipts estimates**

Provide narrative explanations for major changes from one fiscal year to the next in the amounts of receipts reported for any account, trends in receipt estimates for the related programs, and any other unusual circumstances relating to the estimates.

Advise OMB of increases in amounts reported to the Treasury Department accounts 1435.00 (General fund proprietary interest receipts, not otherwise classified) and 3220.00 (All other general fund proprietary receipts) when you expect that the amounts collected from a single source will exceed \$10 million in any year or when legislation is proposed that will affect any receipts reported to those accounts.

Make your explanations of legislative proposals consistent with your legislative program and outyear policy estimates. Cover the expected timing of enactment and the annual level of receipts anticipated.

#### **51.12 Unobligated balances in liquidating accounts**

You must submit information justifying any unobligated balances you expect to carry forward into the current year (see section [185.3\(k\)](#)).