

## SECTION 51—BASIC JUSTIFICATION MATERIALS

### Table of Contents

51.1	General requirements
51.2	Requirements for program justification
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 goals, measures, and indicators
51.8	Other analytical information
51.9	Evidence, evaluation, and innovative experimentation
51.10	Explanations relating to supplemental appropriations requests
51.11	Taxes and tax expenditures
51.12	Major changes in receipts estimates
51.13	User charges
51.14	Unobligated balances in liquidating accounts
51.15	Direct loan and loan guarantee programs
51.16	Information on funding for Inspectors General
51.17	Information on agency's tribal consultation process
51.18	Radio spectrum-dependent communications-electronics systems
51.19	Budgeting for the acquisition of capital assets
51.20	Requests for increases to reception and representation allowances

### Summary of Changes

Directs agencies to include any new appropriations language or changes to complex appropriations with a budgetary impact, including general provisions, to OMB in their budget justification materials (section [51.2](#)).

Adds the new title of the circular to reflect the 2016 update of A-123, Enterprise Risk Management and Internal Controls (section [51.3](#)).

Provides guidance on how to address evidence-related issues during a transition in Administration (section [51.9](#)).

Suggests that agencies should also consult the GAO's Federal User Fee: A Design Guide as a reference when setting user fees (section [51.13](#)).

## 51.1 General requirements

Your initial budget submission to OMB (due in September) should begin with a summary statement from the head of your agency and include:

- The broad policies and strategies proposed and the total amounts of discretionary and mandatory budgetary resources requested;
- The relationship of the policies, strategies, and resources requested to the planning guidance for budgetary resources provided by OMB;

- Significant proposed differences, if any, from current Administration policies;
- A thorough discussion of the evidence, both positive and negative, for major proposed policies. This evidence includes evaluation results, program performance indicators and performance goals, and other relevant data analytics and research studies;
- 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 5- to 10-year period beyond the budget year and their relationship to outyear planning guidance and the policies proposed for the current and budget year;
- A separate submission that proposes and justifies (if your agency so determines) the need for additional funding for individual programs in excess of the budget year guidance levels to meet the President's priorities. This separate submission should also identify potential discretionary offsets in lower priority programs within your agency's budget; and
- Significant changes in full-time equivalent (FTE) employment. Provide justification for changes in relationship to projected workload, strategic planning initiatives, and reengineering efforts.

Other sections in this Circular that address budget justification materials include sections 25 through 54, and sections 200-290. Budget submissions to OMB should be in the form of a performance plan to the greatest extent possible. Section [240](#) and [210](#) provide detailed instruction on developing and submitting a performance plan as required by GPRA Modernization Act.

### **51.2 Requirements for program justification**

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.

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 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 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.

Where programs are jointly administrated by or impact multiple agencies, information on shared program budgets should be coordinated through OMB.

Your request should include any new appropriations language provisions or changes to complex appropriations language, including general provisions. Any change to appropriations language with a budgetary impact, including changes to general provisions, requires OMB approval. See section [95](#) for additional information on appropriations language.

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.

For all Information Technology (IT) budgetary resources and for all major IT investments, include also a breakout of resources (financial, and if available, personnel) within each program level. The tabular presentation should include in its title the phrase "IT Table" and identify, by each major IT investment, the IT investment title, its unique investment identifier (UII), all principal supported program names, and the IT investment's budget authority level (PY, CY, and BY). The table should reflect the resources associated with the actual program dollars going to this IT investment. All justifications should clearly show in text and tables the IT investment request within each bureau, account, and program activity level.

Your justification materials should include a section beginning with the words "IT Resource Statements" that provides the following: a statement from the CIO affirming that the CIO has reviewed and approved the major IT investments portion of your budget request; a statement from the CFO and CIO affirming that the CIO had a significant role in reviewing planned IT support for major program objectives and significant increases and decreases in IT resources; and a statement from the CIO and CFO that the IT Portfolio (section [55.6](#)) includes appropriate estimates of all IT resources included in the budget request. If for any reason any of the above is not accurate, briefly describe the nature of the inaccuracy. The above statements and discussion must also be included in your agency's annual assurance statement described in OMB Circular

No. [A-123](#) Management's Responsibility for Enterprise Risk Management and Internal Control. Additional details on ERM requirements are also included in section [270](#).

To the extent possible, you should attempt to align your budget accounts with programs, distinguishing among components that contribute to different strategic objectives. This should relate program objectives (see section [240](#)) 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 CY cancellations 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.

Describe budgetary resources 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 Administration 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 objectives. 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 expense 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 IT 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](#).

### 51.7 Performance goals, measures, and indicators

Agency budget submissions for the FY 2018 Budget may be structured as the performance plan required by the GPRM Modernization Act of 2010 (see also [31 U.S.C. § 1115](#)). Therefore, you need not submit a separate performance plan to comply with the Act. Your budget submission should cover all of your agency's programs and should address all statutory requirements of the "annual performance plan" required by the GPRM Modernization Act. Sections [240](#) and [210](#) contain detailed information on performance plan requirements. Additional details on applicable public posting and notification requirements are also included in section [22](#).

### 51.8 Other analytical information

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

- Workload analyses;
- Unit costs;
- Productivity trends;
- Enterprise Risk Management Profiles; and
- Impact of capital investment proposals on productivity.

Use productivity measurement, unit costs, enterprise risk management, 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 Evidence and evaluation

We appreciate agencies' participation in the wide range of ongoing efforts to strengthen the use of data and evidence to drive better decision-making and achieve greater impact. Consistent with the baseline budget guidance, agencies should submit an abbreviated [Evidence Template](#) in FY 2018. The updated template is designed to gather information about agencies current efforts to build and use evidence, their current barriers to making further progress, and (at the agencies' discretion) identify near-term program reauthorizations which may include an evidence-building or use component. Agencies should submit completed [Evidence Templates](#) as a part of their budget submissions. This template is designed to:

- Provide an opportunity for agencies to identify near-term program reauthorizations in which there may be opportunities to embed evidence building or use in programs; and
- Provide an opportunity for agencies to identify near-term program reauthorizations in which there may be opportunities to embed evidence building or use in programs; and
- Provide an update on the agency's progress in increasing access to high-value administrative data assets (as identified by the agency) for use by statistical components and/or for statistical purposes, or to increase the utility of already-accessible data assets progress (implementation update for OMB Memorandum M-14-06, "[Guidance for Providing and Using Administrative Data for Statistical Purposes](#)"). Agencies should anticipate that these updates could be shared with the [Commission for Evidence-Based Policymaking](#).

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

If you request a supplemental, explain 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 and indicate related FTE savings or requirements and appropriate financing changes. Show the effect of requested supplementals in the appropriate portions of the justification material for the program elements affected.

### **51.11 Taxes and tax expenditures**

Reflect full and explicit consideration of the resources made available by the Federal Government through tax expenditures and other tax incentives. Tax expenditures are attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or that provide a special credit, rate of tax, or deferral of tax ([2 U.S.C. § 622](#)). Tax expenditures include subsidies provided through the income tax system.

You must consult with the Office of Tax Analysis, Department of the Treasury on all proposals for new taxes or modifications of existing taxes whether or not the modification results in a tax expenditure. After consulting with the Office of Tax Analysis submit a justification of the proposal to OMB. The justification should include the views of the Office of Tax Analysis and address the following items:

- The nature and extent of the problem addressed by the proposal.
- The reason a subsidy is needed.
- The non-tax alternatives.
- The reason a tax change is preferable to the non-tax alternatives.

In addition, you should be prepared to submit justifications for continuing or reenacting existing taxes and tax expenditures in the program areas for which you have primary responsibility. Such justifications will contain the information described above.

In general, tax expenditures are subject to the same degree of performance reviews as spending and regulatory programs. Tax expenditures often complement or substitute for agencies' spending or regulatory programs that contribute to strategic objectives, and the resources and incentives provided through tax expenditures can be substantial. Work with the Office of Tax Analysis, which has lead responsibility for tax policy and analysis of tax expenditures, to develop data and methods to evaluate the effects of tax expenditures that affect (or are directed at the same goals as) your programs. You should be prepared to furnish, upon request, problem analyses, estimates of economic effects, and other materials that will provide explicit quantitative information on the relationship of existing or proposed tax expenditures to proposed budget expenditures.

### **51.12 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.

### 51.13 User Charges

If you propose new user charges that require authorizing legislation, provide a clear explanation of the new user charge and the legislation that will be required to authorize it. Include a detailed discussion of plans for achieving enactment of the legislation and the administrative actions planned for collecting the charges if the legislation is enacted. Assess the proposal's chances of enactment and explain why the President should propose it in the Budget, taking into account the likely reaction to the proposal by the Congress and the users. Describe the basis for your assessment in detail.

Refer to OMB Circular [A-25](#) for additional information and requirements regarding user charges. You may also find [GAO's Federal User Fees: A Design Guide](#) useful.

### 51.14 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\(l\)](#)).

### 51.15 Direct loan and loan guarantee programs

Proposed changes to technical assumptions must be included with justification materials for all credit programs unless another date is agreed upon by OMB. Required materials include any proposed changes to technical assumptions, methodology, or source data underlying the credit subsidy cost estimate cash flows, and justification for such changes. Consult with your OMB representative and refer to OMB Circular [A-129](#) regarding other requirements for direct loan and loan guarantee programs, including policy proposals for new or existing programs (see section [185](#)).

### 51.16 Information on funding for Inspectors General

If your agency is covered by the Inspector General Act of 1978, as amended ([5 U.S.C. App.](#)), your justification materials must include the following information required by section 6(f) of the Act:

1. Information submitted by the Inspector General to the head of the agency under section 6(f)(1) of the Act:

- The budget estimate and request of the Inspector General to the head of the agency;
- The portion of the budget amount requested by the Inspector General for training, including a certification that the amount requested satisfies all training requirements for that fiscal year; and
- The portion of the budget amount sought by the Inspector General as necessary to support the Council of the Inspectors General on Integrity and Efficiency.

2. Information required to be submitted by the head of the agency under section 6(f)(2) of the Act:

- An aggregate request by the head of the agency for the Office of Inspector General (OIG);
- Amounts requested by the head of the agency for OIG training;
- Amounts requested by the head of the agency for support of the Council of the Inspectors General on Integrity and Efficiency; and
- Any comments of the affected Inspector General with respect to the overall Inspector General request by the head of the agency.

Prior to the submission of the President's Budget to the Congress, all of the above categories of pre-decisional deliberative information are subject to the confidentiality provisions of section [22](#).

The Act requires some of the above categories of information to be included in the President's Budget submitted to the Congress. All of the other categories of information listed above continue to remain subject to the confidentiality provisions of section [22](#) even after submission to the Congress of the President's Budget.

#### **51.17 Information on agency's tribal consultation process**

Your agency's initial budget submission to OMB must include a description of the tribal consultation process that the agency conducted related to budget development, and the input that was received. If the agency has no programs with tribal implications, the section should indicate that no consultation is required. Please confer with your agency lead on tribal consultation in developing an appropriate and effective approach to consultation, in light of your agency's programs. This requirement is based on [Executive Order 13175](#) (November 2000) and President Obama's [Memorandum](#) of November 5, 2009, directing agencies to develop plans to implement the Executive Order.

#### **51.18 Radio spectrum-dependent communications-electronics systems**

Agencies must provide a narrative that: 1) states whether the system will share spectrum with other Federal or non-Federal existing systems/operations and, if so, the nature and extent of the sharing relationship; 2) states whether sharing of an existing Federal system to meet the capability requirement is possible, or whether sharing capabilities of similar Federal users has been considered; 3) describes, compares, and evaluates the spectrum efficiency and effectiveness for various alternatives considered utilizing the methodology described in section [31.12](#), or another methodology developed by the agency and approved by OMB; and 4) certifies consideration of non-spectrum dependent or commercial alternatives to meet mission/operational requirements.

#### **51.19 Budgeting for the acquisition of capital assets**

##### **(a) Overview**

The Government should have a high level of assurance that the funds dedicated to capital acquisitions support the agency mission and provide value to the taxpayer. In addition, agencies should be able to justify the acquisition and operation of an asset. The generation of a sound business case is a best practice for providing that justification and assurance. A business case should include the rationale for the investment and reference any supporting analysis.

The [Capital Programming Guide](#) provides guidance on the principles and techniques for effective capital programming. Additionally, budget terms and definitions are included in [Appendix J](#), "Principles of Budgeting for Capital Asset Acquisitions." Other references related to capital assets are included in [Appendix K](#), "Selected OMB Guidance and Other References Regarding Capital Assets."

The policy, budget justification, and reporting requirements for capital assets apply to all agencies of the Executive Branch of the Government subject to Executive Branch review. Agency business cases are due at the same time as your agency's annual budget submission (see Table 1 in section [25](#)).

##### **(b) Information Technology (IT)**

Required data for all IT investments is provided by agencies reporting through the IT Dashboard addressing both overall IT investment spending (the agency's IT portfolio), and the information required for major IT investments, as described at:

[http://www.whitehouse.gov/sites/default/files/omb/assets/egov\\_docs/fy18\\_it\\_budget\\_guidance.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/fy18_it_budget_guidance.pdf)



Agencies not reporting data to the IT Dashboard are also accountable for adhering to the guidance provided to all agencies on how to conduct IT capital planning internally, as addressed in the above guidance, and also in Circular A-130, and the Capital Programming Guide. Budget process guidance is communicated to such agencies individually, regarding the data to be submitted as part of their agency budget submissions in the fall, based on the requirements of OMB RMO with agency oversight responsibility, and other considerations.

(c) Non-Information Technology (Non-IT)

In general, business cases are required for the acquisition and operation of non-IT capital assets. The definition of capital asset can be found in Appendix 1 of the [Capital Programming Guide](#). Links to the template and instructions for the business case are provided in section [25](#), Table 1. The instructions include submission requirements, deadlines, and exemptions.

(i) Aircraft

An aircraft is a type of non-IT capital asset. A business case template tailored to the needs of the aircraft community is available. Links to the template and instructions are provided in section [25](#), Table 1. The instructions include submission requirements, deadlines, and exemptions.

(ii) Facilities

Facilities are a type of non-IT capital asset. When justifying a major investment in a facility, including new construction, full and partial building or modernization, or facility investments that meet the agency's capital threshold, you should be prepared to provide the materials identified in section [31.9\(a\)](#) if requested by your OMB representative.

### **51.20 Requests for increases to reception and representation allowances**

If your agency's request for reception and representation (R&R) expenses exceeds the FY 2017 budget level or the current enacted level, the information below must be included in the initial budget submission:

- The proposed increase in the R&R account;
- The account title, account number, and draft of appropriations language for the account; and
- A brief rationale for why the FY 2018 budget should propose this increase.

