



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Jeffrey D. Zients 
Acting Director

SUBJECT: Fiscal Year 2014 Budget Guidance

Last summer, the President and the Congress agreed on historic bipartisan deficit reduction by passing the Budget Control Act of 2011 (BCA). In the BCA, the President signed into law more than \$2 trillion in deficit reduction and tight spending caps that would bring discretionary spending to a minimum level needed to preserve critical national priorities. The 2013 Budget request builds upon this framework, and includes a plan that, combined with the deficit reduction enacted last year, will cut the deficit by more than \$4 trillion over the next decade. This plan will put the country on a path to achieve fiscal sustainability and will allow the Federal Government to stabilize the Federal debt relative to the size of the economy.

The President continues to believe that the Congress can and must act to avoid the BCA's sequester on both defense and non-defense spending, which is being prompted by the failure of the Joint Select Committee on Deficit Reduction to propose legislation reducing the deficit by at least \$1.2 trillion, with a balanced package of deficit reduction. Even with this accomplished, the 2014 Budget will need to make hard choices: the BCA discretionary levels continue to sharply constrain discretionary spending. Accordingly, the 2014 Budget will build upon the BCA and the 2013 Budget's framework. The 2014 Budget must continue to cut lower-priority spending in order to create room for the most effective investments in areas critical to economic growth and job creation, including education, innovation, infrastructure, and research and development.

Therefore, while the 2014 process will represent another challenging budget year, it also provides another opportunity to make the hard decisions necessary to spur job creation and job growth and put the Nation on a path of fiscal sustainability.

2014 Discretionary Budget Submission. To achieve these goals, your 2014 budget submission to the Office of Management and Budget (OMB) should reflect the President's commitment to cut waste, set priorities among programs, and make targeted investments in critical priorities. Unless your agency has received different guidance from OMB, your overall agency request for 2014 should be 5 percent below the net discretionary total provided for your agency for 2014 in the 2013 Budget.

Your budget submission should also include a detailed list of addbacks consistent with the goals outlined above that would bring your overall submission to a level that equals the 2014 discretionary level for your agency in the 2013 Budget. These addbacks should be separately identified in your budget submission and should be ranked in priority order.

Together, your budget submission at guidance and these priority addbacks will provide the President with the options needed to make the hard choices necessary to adhere to the BCA's discretionary funding levels, invest in priority areas, and focus on programs that work.

When developing your submissions at the guidance level, please ensure that your 2014 request excludes across-the-board reductions. Your submission should also exclude reductions to mandatory spending in appropriations bills, shifts of costs to other parts of the Federal budget, reclassifications of existing discretionary spending to mandatory, or the enactment of new user fees to offset existing spending. You may, however, include these items as separate proposals for consideration on their merits or as alternative ways to achieve the guidance level.

Mandatory Budget Proposals. Agencies should review their mandatory spending with the same rigor as their discretionary spending. Your agency should use this Spring and Summer to work with OMB to review the mandatory proposals included in the 2013 Budget, identify areas for special scrutiny, and develop any new proposals prior to including them with your 2014 submission. Please note that, in general, to the extent that any new proposals are not at least budget neutral, they should be accompanied by new savings proposals to cover their costs.

Use of Evidence and Evaluation in Policymaking. Evidence-based decision-making can improve results and lower the costs of Federal programs. OMB is issuing a separate memo that encourages the increased use of evidence and evaluation. Please consult that memo for specifics on how to reflect these principles in your budget submission.

Administration's Management Agenda. Since taking office, the President has pursued an aggressive plan to cut wasteful spending and programs that do not work, strengthen and streamline what does work, leverage technology to transform government operations to save money and improve performance, and make the government more responsive and open to the needs of the American people. Since the beginning of this Administration, Federal agencies have implemented this agenda to deliver a 21st Century government, and support and reinforce a broader and integrated strategic approach to improved government management and performance. A list of the components of the Administration's management agenda, with links that provide additional guidance and details, is available as an [appendix](#) to this memorandum.

Your 2014 budget submission should continue to implement these management priorities in a manner that best fits your agency's objectives and priorities. In some cases, a government-wide management initiative will be a critical part of an agency's overall plan and approach. In other cases, it may have a smaller impact given an agency's unique circumstances. Furthermore, an agency may identify additional initiatives that will complement and strengthen its ability to improve management and performance. In this way, agencies have flexibility to construct the right set of priorities and activities that will maximize the fiscal benefit while maintaining the

agency's ability to fulfill its mission. To this end, agencies should provide the following in their budget submission:

- A general narrative that describes the agency's overall management priorities and plan for advancing better government performance and management outcomes. Agencies are encouraged to use their annual performance plan to provide this narrative.
- Detailed information on the Administration's existing management initiatives that the agency believes will have the largest fiscal impact on the 2014 Budget. For each of these initiatives, the agency budget submission should include a detailed summary of its current and proposed fiscal year (FY) 2014 savings from and investments in the Administration's management initiatives. This information should be provided at the account level, and agencies should consult with their OMB contacts to identify which initiatives require this more detailed level of information.
- A discussion of how the agency proposes to use the savings realized from implementing the above management initiatives in order to meet budget reduction targets or increase funding for program priorities. This information should be embedded within your agency's 2014 budget justification materials, and should be provided at an account level where appropriate.
- At least three priority program reform proposals where legislative, budget, or administrative changes could significantly improve program effectiveness or efficiency, or translate into long-term cost savings.

Your agency's 2014 budget submission should also continue to look for ways to spend Federal dollars on Information Technology (IT) more efficiently. Unless your agency has received different guidance from OMB, your 2014 budget submission should achieve an agency-wide 10 percent reduction in IT spending, compared to the average spending on IT from FY 2010 through 2012, and include an explanation of how, at the investment and account level, you would achieve this reduction. Your budget submission may also propose where you would reinvest the savings from identified cuts in innovative IT solutions that would produce a favorable return on investment within 18 months or demonstrably improve citizen services or administrative efficiencies. OMB will provide additional guidance on how agencies should reflect this information in their budget submissions.

Like last year, I hope that this year's budget formulation process will be a collaborative dialogue between OMB and agencies that emphasizes the best options for improving the Government's effectiveness while lowering costs. OMB will once again strive to offer ideas and assistance to agencies where we can, and to facilitate problem-solving on issues that cross agencies.