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

THE DIRECTOR

May 29, 2013

M-13-14

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Sylvia M. Burwell
Director

SUBJECT: Fiscal Year 2015 Budget Guidance

We are continuing to work through a challenging period of budgeting. We have not had the regular order budgeting process that we would prefer, and I understand the compounding challenges that agencies face in continuing to provide vital services and protect mission in an environment of sequestration. These challenges have only increased the President's resolve to work with Congress on restoring regular order and replacing sequestration with a balanced deficit reduction plan of additional spending cuts and sensible entitlement reforms coupled with revenue from tax reform.

The 2014 Budget included such a balanced approach, with more than enough deficit reduction to cancel sequestration and restore discretionary funding to levels agreed to in the bipartisan Budget Control Act. The 2015 Budget should continue to build on the President's plan, by reducing spending on lower priority programs in order to create room for effective investments in areas critical to economic growth and job creation, including education, innovation, infrastructure, and research and development. In addition, particularly in these challenging fiscal times, more effective management strategies will be an important component of our overall approach to efficient and responsible budgeting. While I expect this to be another challenging budget year, the Office of Management and Budget (OMB) looks forward to working closely with the agencies to make the hard decisions that are necessary to reduce the deficit while investing in critical priorities.

2015 Discretionary Budget Submission. Your 2015 budget submission to OMB should reflect a 5 percent reduction below the net discretionary total provided for your agency for 2015 in the 2014 Budget. Your budget submission should also include additional reductions that would bring your overall submission to a level that is 10 percent below the net discretionary total provided for your agency for 2015 in the 2014 Budget.

We recognize that agencies will identify the most effective way to implement this request. Your budget submission 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.

To help meet these targets, all agencies should look for ways to reduce fragmentation, overlap, and duplication, and increase effectiveness. To that end, your submission should include a separate section that identifies your agency's recommendations in this area, within your agency or with programs at other agencies. As appropriate, your list of recommendations should include proposals that address the Government Accountability Office's recommendations in this area.

In addition, all agencies are encouraged to include innovative programmatic proposals that support mission and further increase effectiveness. These proposals should be fully paid for within your agency's topline and consistent with OMB Circular A-11 and budget scoring guidelines.

When developing your 2015 submissions at the guidance levels, please be sure to exclude: 1) across-the-board reductions; 2) reductions to mandatory spending in appropriations bills; 3) shifts of costs to other parts of the Federal budget; 4) reclassifications of existing discretionary spending to mandatory; or 5) 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 the next several months to work with OMB to review the mandatory proposals included in the 2014 Budget, identify areas for special scrutiny, and develop any new proposals prior to including them with your 2015 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.

Delivering Greater Impact through Performance and Management Improvements. All Federal agencies have been asked to provide an updated strategic plan along with the 2015 Budget, as well as an updated performance plan with specific strategies and performance goals through the end of 2015 (see OMB Circular A-11, Part 6 for additional information). These plans should align with the 2015 Budget, and provide Congress and the public with an ambitious yet realistic expectation of the impact achievable as a result of proposed budget policy. These plans should also identify new agency Priority Goals for the FY 2014 – FY 2015 time period. The Priority Goals should represent the Administration's top implementation-focused priorities and ambitious, measurable, near-term results which will be delivered for the American people.

As previously communicated, agencies should submit draft strategic goals and objectives, and agency Priority Goal areas, for OMB review by June 3, 2013, and are encouraged to submit full draft strategic plans. If not provided earlier, a full draft of the strategic plan and a draft annual performance plan should be provided with the 2015 budget submission. In addition to the mission-focused strategic goals and objectives in the strategic plan, OMB has asked agencies to establish management-focused objectives. These management objectives should communicate agency-specific improvement priorities for management functions that are most critical to advancing the agency's mission results and increasing effectiveness and efficiency. The annual performance plan draft submitted with the budget submission to OMB should include:

- **Management objectives:** The strategies and performance goals for each management objective included in the draft agency strategic plan;
- **Innovation and customer service priorities:** Priority areas for innovation and improvements in customer service not identified as a management objective in the agency strategic plan, including specific performance goals;
- **Critical mission support areas:** Identification of the operational processes, human capital, training, skills, technology, information, and other management efforts most critical to achievement of mission-focused strategic objectives; and
- **Other management improvement efforts:** Other major management improvement efforts (e.g., human capital, information technology, acquisition, sustainability, or financial stewardship) and the agency contribution to government-wide management initiatives (such as those established through Executive Order, OMB guidance, or that have been identified as management Cross-Agency Priority Goals) not identified as a management objective in the agency strategic plan, including specific performance goals;

The draft should also include a management improvement summary that discusses agency efforts to deliver greater impact through innovation, increasing effectiveness and efficiency, and better customer service, including indicating where information on the four points above is included throughout the performance plan.

Following the publication of the new strategic plans and the 2015 Budget, agencies will be expected to conduct strategic reviews of progress on each of the strategic objectives and management objectives included in the strategic plan, using a variety of sources of evidence (See OMB Circular A-11 Part 6). The results of these reviews will inform the formulation of the 2016 Budget and efforts to improve the impact of agency programs.

Use of Evidence and Evaluation in Policymaking. Evidence-based decision-making can improve results and lower the costs of Federal programs. OMB will issue a separate memo at a later date that encourages the increased use of evidence and evaluation, including rigorous testing of innovative strategies to build new knowledge of what works. Please consult that memo for specifics on how to reflect these principles in your budget submission.