Planning, Budgeting, and Acquisition of Capital Assets

Summary of Changes

Exhibit 300B, Capital Asset Plan and Justification, has been revised to:
—collect information on large financial management systems (previously reported on exhibit 40B);
—integrate more fully the OMB investment decision criteria for information technology (IT) acquisitions (known as ''Raines Rules'') to include mapping to the agency's IT architecture and technical infrastructure;
—clarify project and contract cost, schedule and performance baselines; and
—emphasize acquisition strategy.

300.1. Purpose.

Part 3 of this Circular provides guidance to agencies on planning, budgeting, and acquisition of capital assets, requires agencies to provide information on these assets in their budget submissions to OMB, and includes guidelines for planning. Agency submissions on plans for capital assets are required for OMB review of funding requests and evaluation of new and ongoing projects.

Part 3 also presents unified guidance designed to coordinate the collection of agency information for the OMB report to the Congress required by the Federal Acquisition Streamlining Act of 1994 (FASA) (Title V) and to ensure that acquisition plans support the mission statements, long-term goals and objectives, and annual performance plans developed pursuant to the Government Performance and Results Act of 1993 (GPRA). Agency submissions will allow OMB to carry out its reporting responsibilities under FASA without issuing additional central guidance.

In developing their capital plans, agencies should follow the *Principles of Budgeting for Capital Asset Acquisitions* and the additional guidance in Appendix 300B. The *Principles* were published in the *Analytical Perspectives* volume of the *FY 1999 Budget* and appear in Appendix 300A.

300.2. Background.

(a) General.—The Federal Government needs to manage better the planning, budgeting, and acquisition of capital assets, including information technology. The National Performance Review in 1993 and recent legislation suggest widespread concern in the agencies and in Congress that the Government must improve its performance in this area.

For the last four years OMB has issued guidance on asset acquisition to the agencies, conducted crosscutting reviews, and addressed specific asset acquisition issues in agency review sessions during the fall budget process. At the same time, new statutory performance-based reporting and review requirements have been created in GPRA and FASA that complement the goals of OMB's asset acquisition review.

Part 3 encourages agencies to focus on the importance of capital assets, including information technology, in carrying out the mission of the agency within the context of the existing scoring rules and the limits on discretionary spending.

(b) Major legislation related to capital assets.— Under FASA (Title V), OMB is required to report on the cost, schedule, and performance goals for asset acquisitions and how well agencies are meeting the goals. GPRA requires agencies to develop mission statements, long range strategic goals and objectives, and annual performance plans. GPRA became effective government-wide in September 1997, when agencies transmitted strategic plans to Congress and OMB, and submitted the annual performance plan for fiscal year 1999 to OMB. Part 2 of this Circular provides guidance to the agencies on the preparation and submission of strategic plans and annual performance plans.

(c) Capital Programming Guide.—To supplement guidance on planning, budgeting, acquiring, and managing capital assets, OMB published the *Capital Programming Guide* (June 1997). The purpose of the *Guide* is to provide professionals in the Federal Government a basic reference on principles and techniques for planning, budgeting, acquisition, and management of capital assets. Agencies should consult the *Guide* when preparing their capital plans and developing their budget requests from their capital plans.

300.3. General requirements.

Agencies are required to provide the following information related to acquisition of capital assets as a part of their initial budget submissions (see due date in Part 1, section 10.3 (a)). For Cabinet and other agencies subject to executive branch review and the District of Columbia, the due date is September 14, 1998. The required materials are:

—information on the impact of full funding of capital assets now funded incrementally (exhibit 300A), using the coverage described in section 300.5 (d); and

—a capital asset plan and justification (exhibit 300B) for major acquisitions identified pursuant to section 300.6(b).

Exhibit 300A requires information for accounts with projects funded incrementally. This will allow for an identification of budget authority needed to fully fund accounts with these projects.

Exhibit 300B requires information on plans and justifications for major acquisitions as identified in section 300.6(b). This information includes a summary of spending for project stages; justification and other information; and cost, schedule, and performance goals.

300.4. Definitions.

For purposes of this Circular, the following definitions apply. Additional definitions appear as a Glossary to Appendix A.

(a) Capital assets.—Capital assets are land, structures, equipment, and intellectual property (e.g., software) that are used by the Federal Government and have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption, such as operating materials and supplies. The cost of a capital asset includes both its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use.

Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease, regardless of whether title has passed to the Federal Government; through an operating lease for an asset with an estimated useful life of two years or more; or through exchange. Capital assets include leasehold improvements and land rights; assets owned by the Federal Government but located in a foreign country or held by others (such as Federal contractors, state and local governments, or colleges and universities); and assets whose ownership is shared by the Federal Government with other entities. Capital assets include not only the assets as initially acquired but also additions; improvements; replacements; rearrangements and reinstallations; and major repairs, but not ordinary repairs and maintenance.

Examples of capital assets include the following, but are not limited to:

—office buildings, hospitals, laboratories, schools, and prisons;

—dams, power plants, and water resources projects;

—furniture, elevators, and printing presses;

—motor vehicles, airplanes, and ships;

—satellites and space exploration equipment;

—information technology capital assets, including those that are a national security system (as defined in section 5142 of the ITMRA; see section 300.4 (f) below) to the extent practicable;

—Department of Defense weapons systems; and

—environmental restoration (decontamination and decomissioning efforts).

Capital assets may or may not be capitalized (i.e., recorded in an entity's balance sheet) under Federal accounting standards. Examples of capital assets that are not capitalized are Department of Defense weapons systems, heritage assets, stewardship land, and some software.

Capital assets do not include grants for acquiring capital assets made to State and local governments or other entities (such as National Science Foundation grants to universities or Department of Transportation grants to AMTRAK). Capital assets also do not include intangible assets, such as the knowledge resulting from research and development or the human capital resulting from education and training; however, capital assets do include land, structures, equipment, and intellectual property (e.g., software) that the Federal Government uses in research and development and education and training.

(b) Capital project and useful segments of a capital project.—The total capital project, or acquisition of a capital asset, includes useful segments that are either planning segments or useful assets.

(1) *Planning segments.*—A planning segment of a capital project provides information that allows the agency to develop the design; assess the benefits, costs, and risks; and establish realistic baseline cost, schedule, and performance goals before proceeding to full acquisition of the useful asset (or canceling the acquisition). This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The process of gathering information for a capital project may consist of one or more planning segments, depending on the nature of the asset. If the project includes a prototype that is a capital asset, the prototype

may itself be one segment or may be divisible into more than one segment. Because of uncertainty regarding the identification of separate planning segments for research and development activities, the application of full funding concepts to research and development planning will need more study.

(2) *Useful asset.*—A useful asset is an economically and programmatically separate segment of the asset procurement stage of the capital project that provides an asset for which the benefits exceed the costs, even if no further funding is appropriated. The total capital asset procurement may include one or more useful assets, although it may not be possible to divide all procurements in this way. Illustrations follow:

Illustration 1: If the construction of a building meets the justification criteria and has benefits greater than its costs without further investment, then the construction of that building is a ''useful segment.'' Excavation is not a useful segment because no useful asset results from the excavation alone if no further funding becomes available. For a campus of several buildings, a useful segment is one complete building if that building has programmatic benefits that exceed its costs. Such a building is a useful asset, regardless of whether the other buildings are constructed, even though that building may not be at its maximum use.

Illustration 2: If the full acquisition is for several items (e.g., aircraft), the useful segment would be the number of complete aircraft required to achieve benefits that exceed costs, even if no further funding becomes available. In contrast, some portion of several aircraft (e.g., engines for five aircraft) would not be a useful segment, if no further funding is available; nor would one aircraft be a useful segment, if two or more are required for benefits to exceed costs.

Illustration 3: For information technology, a module (the information technology equivalent of ''useful segment'') is separable, if it is useful in itself and its benefits exceed its costs without subsequent modules. The module should be designed so that it can be enhanced or integrated with subsequent modules, if future funding becomes available. An example of a separable module would be a database engine development project where the front-end and back-end data feeds were left unmodified.

(c) Funding (full funding and incremental (partial) funding).—*Full funding* means that appropriations—regular annual appropriations or advance appropriations—are enacted that are sufficient in total to complete a useful segment of a capital project before any obligations may be incurred for that segment. Full funding for an entire capital project is required, if the project cannot be divided into more than one useful segment. If the asset can be divided into more than one useful segment, full funding for a project may be desirable, but is not required to constitute full funding.

Incremental (partial) funding means that appropriations—regular appropriations or advance appropriations—are enacted for just part of a useful segment of a capital project, if the project has useful segments, or for part of the capital project as a whole, if it is not divisible into useful segments. Incremental funding for a capital asset, in which funds could be obligated to start the segment (or project), despite the fact that they are insufficient to complete a useful segment or project, is not permitted under OMB Circular No. A–11 principles.

(d) Baseline goals.—Baseline cost, schedule, and performance goals will be the standard against which actual work is measured. They will be the basis for the annual report to the Congress required by FASA (Title V) on variances of 10 percent or more from cost, schedule and performance goals. The baseline goals, and any changes to the baseline goals, must be approved by OMB.

(1) *Cost and schedule goals.*—The baseline cost and schedule goals should be realistic projections, developed through the capital planning process, of the total cost and total time to complete the project and include interim cost and schedule goals. Cost goals must include the estimated cost of the contract(s) and the Government's management costs. Cost goals are to be reviewed by the agency's Chief Financial Officer prior to inclusion in the budget submission to OMB.

(2) *Performance goals.*—The performance goals should clearly define the mission-related performance measures or other results that the acquisition is expected to accomplish. When possible, performance goals should be expressed in quantitative terms used in contractual statements of work.

(3) *Illustrative major milestones in establishing goals.*—Establishment of the final baseline goals for management of the acquisition and reporting to Congress may undergo changes during the budget process and as the contracts are awarded. Illustrative major milestones in establishing or proposing revised baseline goals could be:

—submission to OMB with initial justification for a new acquisition program;

—approval for inclusion in the Administration's budget proposal to Congress;
—enactment of appropriations; and
—contract awards.

(e) Information technology.—Section 5002 (3) of the Clinger Cohen Act of 1996 defines information technology as:

''(3) INFORMATION TECHNOLOGY.—(A) The term 'information technology,' with respect to an executive agency means any equipment or interconnected system or subsystem of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the executive agency. For purposes of the preceding sentence, equipment is used by an executive agency if the equipment is used by an executive agency directly or is used by a contractor under a contract with the executive agency which (i) requires the use of such equipment, or (ii) requires the use, to a significant extent, of such equipment in the performance of a service or the furnishing of a product.

(B) the term 'information technology' includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

(C) Notwithstanding subparagraphs (A) and (B), the term 'information technology' does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract.''

(f) Information technology systems for national security.—Section 5142 of Clinger Cohen defines a national security system as:

''(a) DEFINITION.—In this subtitle, the term 'national security system' means any telecommunications or information system operated by the United States Government, the function, operation, or use of which—

(1) involves intelligence activities;
(2) involves cryptologic activities related to national security;
(3) involves command and control of military forces;
(4) involves equipment that is an integral part of a weapon or weapons system;
(5) subject to subsection (b), is critical to the direct fulfillment of military intelligence missions.

(b) LIMITATION.—Subsection (a)(5) does not include a system that is to be used for routine administrative and business applications (including payroll, finance, logistics, and personnel management applications).''

300.5. Full funding policy for capital assets.

(a) Background.—Good budgeting requires that appropriations for the full costs of asset acquisition be enacted in advance to help ensure that all costs and benefits are fully taken into account when decisions are made about providing resources. For most spending on acquisitions, this rule is followed throughout the Government. When capital assets are funded in increments, without certainty if or when future funding will be available, it can and occasionally does result in poor planning, acquisition of assets not fully justified, higher acquisition costs, project delays, cancellation of major projects, the loss of sunk costs, or inadequate funding to maintain and operate the assets.

(b) Full funding policy.—Part 3 reaffirms the policy stated in Part 1, section 12.3(k). The full funding policy requires that each useful segment (or module) of a capital project be fully funded in advance with regular annual appropriations or advance appropriations. For definitions of these terms, see section 300.4 or the Glossary to Appendix 300A. Appendix 300A elaborates on the full funding concept (see Principles of Financing).

For the initial budget submissions, agencies are required to request full budget authority for all ongoing and new proposals for capital assets covered in (c) below, or at least for each useful segment of a capital project.

Agencies will identify in the initial budget submission any additional budget authority required to implement full funding. Adjustments to agency planning guidance levels will be considered based on agency budget submissions.

The additional amount of budget authority to fully fund projects currently funded incrementally is to be displayed on exhibit 300A, which is discussed in (d) below.

(c) Coverage of full funding policy.—The full funding policy applies to all capital assets as defined in section 300.4(a).

(d) Coverage and explanation of "Impact of Full Funding of Capital Assets" (exhibit 300A).—Agencies are required to identify the amount of budget authority in the format of exhibit 300A: ''Impact of Full Funding of Capital Assets'' for capital assets, as defined in section 300.4(a), for projects funded incrementally. The purpose of this exhibit is to identify by account, not by individual project, the amount of budget authority needed to fully fund projects now funded incrementally, and to indicate how the agency would recommend implementing the full funding policy. The agency should reassess whether the remaining amount of budget authority needed to complete the project affects justification for the project.

EXPLANATION OF EXHIBIT 300A: IMPACT OF FULL FUNDING OF CAPITAL ASSETS

Entry	Description
General	For the years shown, report budget authority in millions of dollars for accounts with projects funded incrementally. In the column ''BY+5 and beyond'', show the amounts needed to complete projects begun in BY+4 or earlier. In the ''total'' column show the sum of budget authority for unfunded projects for the years BY+1 and beyond. Report only the total amount for the incrementally-funded projects in the account. Do not show the amounts for each project. PY is past year, CY is current year, and BY is budget year.
PART I: NEW PROJECTS FUNDED BEGINNING IN BY THROUGH BY+4	
A. Annual incremental amounts of budget authority requested for new projects	Report the amounts of budget authority in the agency request, for each account, for new proposed projects funded incrementally beginning in BY through BY+4. Report the total for each account separately and the agency total.
B. Agency recommendation for redistribution to useful segments (or modules) that are fully funded.	Report the agency recommendation for redistribution of budget authority to useful segments (or modules) that are fully funded with either regular or advance appropriations. Report the total for each account separately and the agency total.
PART II: PAST PROJECTS FUNDED IN CY OR EARLIER	
A. Annual incremental amounts of budget authority requested for past projects	Report the amounts of budget authority in the agency request, for each account, for projects funded incrementally in past years (i.e., with budget authority beginning in CY or earlier). Report the total for each account separately and the agency total.
B. Agency recommendation for redistribution to useful segments (or modules) that are fully funded.	Report the agency recommendation for redistribution of the budget authority to useful segments (or modules) that are fully funded with either regular or advance appropriations. Report the total for each account separately and the agency total.

300.6. Criteria and coverage of "Capital Asset Plan and Justification" (exhibit 300B).

(a) Criteria.—Exhibit 300B covers major acquisitions–those requiring special management attention because of their importance to the agency mission; high development, operating, or maintenance costs; high risk; high return; or their significant role in the administration of agency programs, finances, property, or other resources.

(b) Coverage for this year.—Agencies should report on all major acquisitions, including major acquisitions of financial management systems and other information technology. Agencies should consult with their OMB representative to decide which specific projects should be classified as major acquisitions, building on what was provided in response to Part 3 last year for the *FY 1999 Budget*. Any information technology system reported as a major system in exhibit 42 (Parts 1, 2, and 3) must also be reported on exhibit 300B.

(c) Future years.—Agencies should develop capital plans for all acquisitions, not just the major acquisitions covered by the criteria in (a).

300.7. Information required: explanation of "Capital Asset Plan and Justification" (exhibit 300B).

For each asset identified pursuant to section 300.6 (b), the agency is required to submit with its initial budget submission the information on capital assets shown in exhibit 300B: ''Capital Asset Plan and Justification.'' Submissions for information technology capital projects should have the concurrence of the Chief Information Officer. Exhibit 300B is an illustrative format, not a required format. Agencies may submit the information in a different format, if it is acceptable to their OMB representative.

Data on information technology, a subset of data reported in exhibit 300B, are also required in the format of a new exhibit. (See reporting requirements in section 42.) For information technology, the funding stages for ''Planning'' plus ''Full acquisition'' are the same as the ''Development/modernization/enhancement'' entry described in exhibit 42, and ''Maintenance'' is the same as ''Steady state'' in exhibit 42. Detail on information technology reported in exhibit 300B should be aggregated and used to prepare exhibit 42.

EXPLANATION OF EXHIBIT 300B: CAPITAL ASSET PLAN AND JUSTIFICATION

Entry	Description
Heading	Identify the agency, bureau, account title and identification code (using the OMB agency/bureau code and basic Treasury account symbol), the program activity from the most recent budget Appendix, and the name of the project. Indicate whether it is a new project proposed in the agency budget request for BY or later, or whether it is an ongoing project funded in CY or earlier. Indicate whether it was approved by an agency Executive Review Committee. Indicate whether it is an information technology project, as defined in Section 300.4(e). For information technology projects only: 1) indicate whether it is a financial management system, as defined in section 42.2. If so, indicate what percentage of the system is financial, and 2) indicate whether the project was approved by an agency Investment Review Board.
PART I: SUMMARY OF SPENDING FOR PROJECT STAGES	
Summary of spending for project stages	Provide amounts of budget authority and outlay in millions of dollars for the table. The stages shown in the table—planning, full acquisition, and maintenance—are illustrative. After consulting with the agency, the OMB representative will advise the agency of the stages for reporting. For information technology, funding stages ''Planning'' plus ''Full acquisition,'' and ''Maintenance'' are the same as ''Development/modernization/enhancement'' and ''Steady state'' entries, respectively, in Exhibit 42.
PART II: JUSTIFICATION AND OTHER INFORMATION	
A. Justification	Provide a full justification for the asset and the cost of the asset. This should include, but not be limited to, a clear statement of how the asset will help the agency meet the agency mission, accomplish its long term strategic goals and objectives, and adhere to the annual performance plan required by GPRA. The justification should answer the three pesky questions from the *Capital Programming Guide:* (1) Does the investment support core/priority mission functions that need to be performed by the Federal Government? (2) Does the investment need to be undertaken by the requesting agency because no alternative private sector or governmental source can better support the function? (3) Does the investment support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology? The justification should also include other information requested by the OMB representative or important to the agency, based on the *Principles of Budgeting for Capital Asset Acquisitions* in Appendix 300A. Additional information requested by the OMB representative may include asset-specific information. For buildings, for example, this could include cost per square foot estimates for comparable Federal and private sector facilities.
B. Program management	Identify whether there is a program manager and contracting officer devoted to the project. Identify also whether an Integrated Project Team will be established to assist in the management of the project. (An Integrated Project Team is a multidisciplinary team led by the program manager to manage the acquisition process. Team members may change somewhat for different phases of the project, but members must represent those who have a major interest in the project. Members should be full time or dedicated to the program when needed. Members should include qualified people able to advise the program manager about technical, business, project, schedule, procurement, finance, and other issues, and identify users' concerns about the acquisition.)

EXPLANATION OF EXHIBIT 300B: CAPITAL ASSET PLAN AND JUSTIFICATION—Continued

Entry	Description
C. Acquisition strategy	In developing the acquisition strategy, consider ways to manage the procurement risk. Three key principles for managing risk when procuring capital assets are: 1) avoid or limit the amount of development work required; (2) make effective use of competition and financial incentives; and (3) use a performance-based management system to ensure that cost, schedule, and performance goals are met. Specify whether the acquisition will be accomplished via a single contract strategy or several contracts. If several contracts will be used, explain the role of each toward achieving the overall acquisition cost, schedule, and performance goals. Will each contract result in an economically and programmatically useful segment of the acquisition? Summarize the acquisition strategy. Describe the use of competition to make ''best value'' source selections. How will competition be sustained throughout the acquisition lifecycle? Describe the use of modular contract or other procurement tools. Identify the type of contract selected, e.g., firm fixed-price, fixed-price incentive fee, cost-plus fixed fee, for each acquisition segment, and explain why it was chosen. If the contract includes incentive or award fee provisions, describe the incentive arrangement and explain how it will motivate contractor performance. Specify whether the contract statement of work is performance-based.
D. Financial basis for selecting the project	Summarize the analysis of full life-cycle costs/total costs of ownership; results of cost/benefit analyses, including return on investment; and any tangible returns that benefit the agency but are difficult to quantify. For information technology, address replaced system savings and savings recovery schedule. Describe analysis of alternative options and identify any underlying assumptions. Provide the estimate of risks, such as Y2K, i.e., rationale for ''most likely'' versus ''most optimistic'' acquisition goals.
E. Adherence to architecture and infrastructure standards (IT projects only)	Describe how the project is compliant with the agency's information technology architecture and technical infrastucture. Identify standards for information exchange and resource sharing. Demonstrate adherence to Government-wide standards, where applicable (such as Y2K). Identify use of commercial-off-the-shelf software (COTS) versus custom; justify custom components.

PART III: COST, SCHEDULE, AND PERFORMANCE GOALS

Agency plans must have cost, schedule, and performance goals for all proposed and ongoing acquisitions. The establishment and analysis of cost, schedule, and performance goals should include a risk assessment that discusses the probability of achieving them. If the agency does not already have cost, schedule, and performance goals established in prior years that the OMB representative has approved, the agency must propose new cost, schedule, and performance goals this year. Once established, the current baseline will be used to determine whether the acquisition is meeting Congressional policy to achieve at least 90 percent of cost, schedule, and performance goals.

The agency planning process is expected to produce acquisition plans that have a high probability of successfully achieving goals. Agencies should establish appropriate controls to ensure that capital asset acquisitions that are underway are within baseline cost, on schedule, and expected to meet the baseline performance levels.

Request funding for only the stages where the agency is able to establish realistic cost, schedule, and performance goals. If the acquisition planning has not progressed to the point where the agency is ready to commit to achievement of specific goals for the completion of the acquisition, the agency should request funds for the planning and alternative exploration stages, as necessary, of the acquisition and not the entire acquisition. Funds for the production or installation stage should not be requested until firm goals can be set.

The following information, entries (A) through (F), should be completed for each contract which comprises the acquisition.

A. Description of performance-based system	Identify and discuss the performance-based management system(s) used to monitor the achievement of, or deviation from, baseline goals during the life-cycle of the acquisition and the use of the asset. Explain whether it is an ''earned value'' management system (see Appendix 300C) or other type of management information system. Explain how the system: (1) identifies the amount of planned work actually accomplished; (2) compares actual work accomplished against planned work and actual costs incurred by the contractor against planned costs; and (3) establishes the deviation percentage from goals.
B. Original baseline	This is the baseline as first approved by the OMB representative. If a revised baseline is subsequently approved, the original baseline will be retained and displayed in this section.
1. Original cost and schedule goals	Identify here the original baseline cost and schedule goals.

EXPLANATION OF EXHIBIT 300B: CAPITAL ASSET PLAN AND JUSTIFICATION—Continued

Entry	Description
2. Original performance goals	Identify here the original baseline performance goals.
C. Current baseline	Identify cost, schedule, and performance goals currently in effect.
1. Cost and schedule goals	The cost and schedule goals should include total costs for the project, important components of the project, and important interim cost projections. It should also show how many months it will take to complete the project and important milestones within that schedule. The example shows a $250 million project and an annual schedule of planned completed work from BY through project completion. It shows that $5 million of the work is expected to be completed by the end of BY, $55 million by the end of BY+1, and so forth.
2. Performance goals	Summarize the performance goals for the acquisition, as described in the statement of work.
D. Variance from current baseline	Monitoring actual work performed against baseline goals is a year-round activity. Agencies should compare the latest estimates with the current baseline and report on the variance. If goals are being established for the first time this year, leave this section blank.
1. Variance in cost	Report on whether current estimates of cost are 10 percent or more above the baseline. If so, discuss and give the reasons for the variance.
2. Variance in schedule	Report on whether the schedule is 10 percent or more behind the baseline. If so, discuss and give the reasons for the variance.
3. Variance in performance	Report on whether actual performance is more than 10 percent below baseline. If so, discuss and give the reasons for the variance.
E. Latest revised estimate	Based on work performed to date, identify proposed revisions to cost, schedule or performance.
1. Cost and schedule	Agencies may propose revisions to their original or current baseline goals, the latest estimates indicate they are not achievable. The proposed revisions must be justified, to include the probability of achieving the new goals. OMB must approve all changes to original and subsequent baselines.
2. Performance	
F. Corrective actions	Identify corrective actions that have been or will be taken if the current cost, schedule or performance estimates have a negative variance of 10 percent or more. Identify the effect the actions will have on cost, schedule, and performance. Explain how the project will be brought back within baseline goals or, if not, how and why the goals should be revised and whether the project is still cost beneficial and justified.

300.8. Additional information.

Agencies are encouraged, but not required, to provide additional information on the following or other topics related to improving planning, budgeting, and acquisition of capital assets. These topics may be included in the OMB budget review process on capital assets, which may affect policy decisions on asset acquisition. Agencies are encouraged to raise any issues considered relevant.

(a) Lumpiness or spikes.—Lumpiness or spikes (i.e., large, one-time increases in year-to-year appropriations) may create bias against acquiring assets. Agencies should give special attention to these spikes for justified, cost-beneficial acquisitions, although resources will continue to be constrained by the budget authority and outlay limits under the government-wide discretionary caps. This issue is addressed in Appendix 300A, ''C. Principles of Financing.''

(b) Account structure.—Certain types of accounts may be preferred to help ensure there is no bias against the acquisition of capital assets. Agencies are encouraged to review the account structure to ensure that the most appropriate accounts are being used for the acquisition of capital assets. This issue also is addressed in Appendix 300A, ''C. Principles of Financing.''

(1) *Mixed accounts.*—Mixed accounts have spending for both operating and capital asset acquisition in the same account, allowing for competition between the two. Demands for one may ''crowd out'' the other.

(2) *Asset acquisition accounts.*—These accounts are devoted exclusively to the acquisition of capital assets. This type of account may be one way of avoiding lumpiness, if there is a roughly similar level of fully-funded budget authority for asset acquisition each year.

(3) *Revolving funds.*—These accounts can also avoid lumpiness, depending on how they are structured. They purchase assets that are ''rented'' to other

accounts, so that the accounts and programs using the assets have a roughly steady year-to-year payment.

(c) Multi-year availability of appropriations.—Agencies should ensure that the availability of the requested appropriation allows enough time to complete the acquisition process. If the acquisition process requires more than one year, the appropriations should be made available for the number of years necessary (see Part 1, section 12.3(j)).

(d) Other observations.—Agencies are invited to suggest other methods to improve planning, budgeting, and acquiring of capital assets.

Impact of Full Funding of Capital Assets

Report all incrementally-funded capital assets covered by the definition in section 300.4(a).

PY-past year
CY-current year
BY-budget year

Example assumes one new $50 million project started each year, funded at $10 million per year for five years.

DEPARTMENT OF GOVERNMENT

(budget authority in millions)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5 and beyond	Total, unfunded amounts (Sum: BY+1 and beyond)
PART I: NEW PROJECTS FUNDED BEGINNING IN BY THROUGH BY+4:									
A. Annual incremental amounts of budget authority requested for new projects:									
Capital asset account No. 1. .	na	na	10	20	30	40	50	100	240
Capital asset account No. 2. .	na	na							
Etc.	na	na							
Agency total	na	na							
B. Agency recommendation for redistribution to segments (or modules) that are economically and programmatically separable and fully funded:									
Capital asset account No. 1. .	na	na	50	50	50	50	50	na	na
Capital asset account No. 2. .	na	na						na	na
Etc.	na	na						na	na
Agency total	na	na						na	na
PART II: PAST PROJECTS FUNDED IN CY OR EARLIER:									
A. Annual incremental amounts of budget authority requested for past projects:									
Capital asset account No. 1. .	50	50	40	30	20	10	0	0	60
Capital asset account No. 2. .									
Etc.									
Agency total									
B. Agency recommendation for redistribution to segments (or modules) that are economically and programmatically separable and fully funded:									
Capital asset account No. 1. .	na	na	95					na	na
Capital asset account No. 2. .	na	na						na	na
Etc.	na	na						na	na
Agency total	na	na						na	na

Example assumes one new $50 million project fully funded each year.

Example assumes incrementally funded $50 million projects at $10 million per year.

Example assumes all BA funded in BY, and $5 million savings resulting from full funding.

Identify in Part I.A. or in Part II.A. the annual incremental budget authority in the agency submission for capital assets. In Part I.B. or II.B. identify the agency plan for fully funding these projects with regular or advance appropriations.

"na" indicates not applicable.

Capital Asset Plan and Justification

Agency: Department of Government
Bureau: Bureau of Capital Assets
Account title: Asset acquisition
Account identification code: xxx-xx-xxxx
Program activity:
Name of project:
Check one: New project _____ Ongoing project _____
Was the project approved by an Executive Review Committee? Yes ___ No ___
Is this project information technology (see Section 300.4(e) for a definition)? Yes ___ No ___
For information technology projects only:
Is this project a financial management system (see section 42.2 for a definition)? Yes ___ No ___
If so, what percentage of the system is financial? _____%
Was this project approved by an agency Investment Review Board? Yes ___ No ___

PY-past year
CY-current year
BY-budget year

Note: Exhibit 300B is an illustrative format. The information requested may be submitted in a different format, if it is acceptable to the OMB representative.

PART I: SUMMARY OF SPENDING FOR PROJECT STAGES

(In millions)

	PY-1 and earlier years	PY	CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5 and beyond	Total
Planning:										
Budget authority				10						10
Outlays				7	3					10
Full acquisition: [1, 2]										
Budget authority						250	0	0	0	250
Outlays						25	75	125	25	250
Total, sum of stages (excludes maintenance):										
Budget authority				10	0	250	0	0	0	260
Outlays				7	3	25	75	125	25	260
Maintenance: [2]										
Budget authority								5	na	na
Outlays								5	na	na

[1] Identify whether the data are for all segments of this stage or for an economically and programmatically useful segment of the entire stage.

[2] For information technology, the funding stages for ''Planning'' plus ''Full acquisition'' are the same as the ''Development/modernization/enhancement'' entry described in exhibit 42, and ''Maintenance'' is the same as ''Steady state'' in exhibit 42.

''na'' indicates not applicable.

PART II: JUSTIFICATION AND OTHER INFORMATION

A. Justification

A full justification for the asset and the cost of the asset is required. This should include, but not be limited to, a clear statement of how the asset will help the agency meet the agency mission, its long term strategic goals and objectives, and the annual performance plan required by GPRA; and other information requested by the OMB representative or important to the agency, based on the *Principles of Budgeting for Capital Asset Acquisitions* in Appendix 300A.

Additional information requested by the OMB representative may include asset-specific information. For buildings, for example, this could include cost per square foot estimates for comparable Federal and private sector facilities.

B. Program management

1. Is there a program manager and contracting officer devoted to the project?
2. Will an Integrated Project Team be established to assist with the management of the project?

Capital Asset Plan and Justification—Continued

PY-past year
CY-current year
BY-budget year

C. Acquisition strategy

1. In developing the acquisition strategy, consider ways to manage the procurement risk. Three key principles for managing risk when procuring capital assets are: 1) avoid or limit the amount of development work required; (2) make effective use of competition and financial incentives; and (3) use a performance-based management system to ensure that cost, schedule, and performance goals are met.

2. Specify whether the acquisition will be accomplished via a single contract or several contracts. If several contracts will be used, explain the role of each toward achieving the overall acquisition cost, schedule, and performance goals. Will each contract result in an economically and programmatically useful segment of the acquisition?

3. Summarize the acquisition strategy. Describe the use of competition to make "best value" source selections. How will competition be sustained throughout the acquisition lifecycle? Describe the use of modular contract or other procurement tools.

4. Identify the type of contract selected, e.g., firm fixed-price, fixed-price incentive fee, cost-plus fixed fee, for each acquisition segment, and explain why it was chosen. If the contract includes incentive or award fee provisions, describe the incentive arrangement and explain how it will motivate contractor performance. Specify whether the contract statement of work is performance-based.

D. Financial basis for selecting the project

1. Summarize the analysis of full life-cycle costs/total costs of ownership; results of cost/benefit analyses, including return on investment; and any tangible returns that benefit the agency but are difficult to quantify. For information technology, address replaced system savings and savings recovery schedule.

2.Describe analysis of alternative options and identify any underlying assumptions. Provide the estimate of risks, such as Y2K, i.e., rationale for "most likely" versus "most optimistic" acquisition goals.

E. Adherence to architecture and infrastructure standards (IT projects only)

1. Describe how the project is compliant with the agency's information technology architecture and technical infrastructure.

2. Identify standards for information exchange and resource sharing.

3. Demonstrate adherence to government-wide standards, where applicable (such as Y2K).

4. Identify use of commercial-off-the-shelf software (COTS) versus custom; justify custom components.

PART III: COST, SCHEDULE, AND PERFORMANCE GOALS

A. Description of performance-based system:

[Describe the performance-based system used to monitor the achievement or deviation from goals during the life cycle of the project. Identify whether this is an "earned value" system as discussed in Appendix 300C.]

(In millions)

	PY-1 and earlier years	PY	CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5 and beyond	Total
B. Original baseline:										
1. Original cost and schedule goals [Identify the originally-approved baseline cost and schedule goals.]										
2. Original performance goals [Identify the originally-approved baseline performance goals.]										
C. Current baseline:										
1. Cost and schedule goals				5	50	100	50	40	5	250

[Using the performance-based management system discussed in A. above, show the dollar amount of the project that will be completed each year. Identify and discuss how many months it will take to complete the acquisition, important components, and important milestones within that time. The example shows a $250 million project and an annual schedule of planned completed work from BY through project completion. It shows, for example, that $5 million of the work is expected to be completed by the end of BY, $55 million by the end of BY+1, and so forth.]

2. Performance goals:

[Summarize the performance goals of the acquisition as described in the statement of work.]

Capital Asset Plan and Justification—Continued

PY-past year
CY-current year
BY-budget year

D. Variance from current baseline:

1. Variance in cost:

[Identify whether the current cost estimate is 10 percent or more above the baseline goals. Discuss and give reasons for the variance.]

2. Variance in schedule:

[Identify whether the current schedule estimate is 10 percent or more behind the baseline schedule. Discuss and give reasons for the variance.]

3. Variance in performance:

[Identify whether performance goals deviate more than 10 percent from the current baseline. Discuss and give reasons for the variance.]

E. Latest revised estimate:

1. Cost and schedule goals [Identify latest estimates of cost and schedule goals, if different from original or current baseline.]

2. Performance goals [Identify latest estimates of performance goals, if different from original or current baseline.]

F. Corrective actions:

[Discuss corrective actions needed or that have been taken to complete the project and the effect on final total cost, schedule, and performance goals.]

For additional explanation, see section 300.7. If goals are being established for the first time this year and are the same as current baseline, leave sections D, E, and F blank.