

SECTION 30 -- BASIC POLICIES AND ASSUMPTIONS

Table of Contents

30.1 30.2 30.3 30.4 30.5	What should be the basis for my proposals? What is the scope of the policy estimates? What economic assumptions should I use when I develop estimates? What assumptions should I make about growth in agency workload? How do I develop unit cost information?
--------------------------------------	--

30.1 What should be the basis for my proposals?

Your proposals should result from a comprehensive system that integrates analysis, planning, evaluation, and budgeting and should reflect:

- The policies of the President;
- The judgment of the agency head regarding the scope, content, performance, and quality of programs and activities proposed to meet the agency's missions, goals, and objectives; and
- Adequate support for accomplishing approved plans for management improvement in the areas of management integrity and controls, credit and cash management, financial systems, and financial reporting.

In developing the estimates, consider the effect that demographic, economic, or other changes can have on program levels beyond the budget year. Be prepared to discuss the impact that program levels and changes in methods of program delivery, including advances in technology, will have on program operations and administration. Also consider the appropriate roles for Federal, State, and local governments, as well as the private sector, in conducting the covered activities. Involve State and local officials in the development of policy and budget priorities and programs with significant State and local impact. Make sure your estimates are consistent with strategic and annual performance plans.

30.2 What is the scope of the policy estimates?

(a) *Presidential policy estimates for CY and BY.*

(1) *Regular annual estimates.* Your regular annual estimates must reflect all requirements anticipated at the time of budget submission, and should cover:

- Continuing activities, including those that must be reauthorized for the budget year;
- Authorized activities that are proposed for the budget year;
- Amounts necessary to meet specific financial liabilities imposed by law; and
- Decreases for activities proposed for termination.

SECTION 30 -- BASIC POLICIES AND ASSUMPTIONS

(2) *Legislative proposals.* If you and your OMB representative determine that proposals for new legislation require a further budget request or result in a change in revenues or outlays, you must separately identify and provide a tentative forecast of the estimate in your submission. These proposals must be consistent with the items that appear in your legislative program, as required by OMB Circular No. A-19.

(3) *Supplemental proposals.* Separately identify amounts for supplemental appropriations required in the current year to meet unforeseen contingencies in programmatic costs in your agency's budget submission. Supplemental requests for the current year are normally transmitted to Congress with the budget. However, each case will be decided separately after OMB receives the agency's initial submission (see section 51.10). OMB representatives will inform you which supplementals will be transmitted with the budget so you can submit the necessary information.

(b) *Presidential policy outyear estimates.*

Policy estimates for the nine years following the budget year (BY+1 through BY+9) enable the President to evaluate the long-term consequences of proposed program or tax policy initiatives and to make decisions in that context. (Baseline estimates, described in section 80, provide a basis for assessing alternatives, including Presidential policy estimates.) In recent years, OMB has centrally calculated most of the outyear policy estimates for discretionary programs.

When you develop outyear policy estimates, they should be consistent with the general policies and information required for the budget year and indicate the degree to which specific policy decisions made for the budget year or any subsequent year affect budget authority, outlay, and receipt outyear levels. Take into consideration changes in spending trends, economic assumptions, and other actions or events when you prepare estimates of budget authority, outlays, and receipts for BY+1 through BY+9.

30.3 What economic assumptions should I use when I develop estimates?

All budget materials, including those for the outyear policy and baseline estimates, must be consistent with the economic assumptions provided by OMB. The specific guidance below applies to outyear policy estimates.

OMB policy permits *consideration* of price changes for goods and services as a factor in developing estimates. However, this does not mean that you should automatically include an allowance for the full rate of anticipated inflation in your request.

For *mandatory programs*, reflect the full inflation rate where such an allowance is required by law and there has been no decision to propose less than required. For *discretionary programs*, you may include an allowance for less than the full rate of anticipated inflation or even no allowance for inflation. In many cases, you must make trade-offs between budgeting increases for inflation versus other increases for programmatic purposes. Unless OMB determines otherwise, you must prepare your budget requests to OMB within the budget planning guidance levels provided to you, regardless of the effect of inflation.

Economic assumptions may be revised shortly before final budget decisions are made. These revisions will not usually result in changes to the previous budget guidance on your agency totals.

Reflect pay raises in your estimates of personal services costs. Pay raises will not be included in government-wide allowances (see section 32.2(b)(1)).

You must identify the anticipated price level changes reflected in the financial resources required to finance each program level in your justification materials (see section 51.3).

30.4 What assumptions should I make about growth in agency workload?

Assume that growth in your agency workload will be offset by productivity increases so that related employment does not increase. Use personnel currently funded to the maximum extent in staffing new programs and expansions of existing programs. Plan to reduce personnel levels where workload is stable.

30.5 How do I develop unit cost information?

Base your estimates on the most economical and efficient manner of carrying on the work of your agency. For this purpose, develop unit (average) cost information to permit cost comparison and analysis to determine whether program costs are minimal. Where possible, separate costs into fixed and variable components so that marginal costs can be derived in addition to unit costs. Such information will also provide a credible base for projections of future costs and the need for budgetary resources. Upon request, you must provide both unit cost and marginal cost information to OMB.