

## SECTION 97 -- NARRATIVE STATEMENTS, FOOTNOTES, AND TABLES

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**97.1 What is the purpose of narrative statements?**

The information published for an account in the budget *Appendix* usually includes a narrative statement. For active accounts, the narrative statement should describe the account's performance goals, including outputs, and outcomes, and explain how the budget year request supports them. For inactive accounts, the narrative statement should give the reason for the inactivity and the expected disposition of the account's balances. Separate narrative statements explain the reason for each supplemental request, rescission proposal, and legislative proposal. Sections 97.3 and 97.6 (for special cases) explain more specifically what should be covered by narrative statements. Also, for technical reasons, you must treat footnotes to the program and financing schedule and special tables as narrative materials (see section 97.7).

**97.2 Must I prepare a narrative statement for every account?**

You must prepare a narrative statement (revising last year's statement, if there was one) for every active account. In most cases, you should include a brief narrative statement for an inactive account to explain the inactivity and the expected disposition of the account's balances.

**97.3 How should I write the narrative statements?**

(a) *Active accounts.*

An account is active if the program and financing schedule shows obligations in the CY or BY, or you estimate that the account will incur obligations in the outyears. Follow these guidelines in writing the narrative for an active account:

- Write the narrative statements in a concise and factual manner, avoiding hyperbole.
- Orient them toward the policies and objectives for the budget year.
- Include quantitative tables that match program performance and dollar data.
- Discuss performance goals and indicators (see additional guidance in section 97.4).

- Discuss pertinent legislation enacted since the previous budget and legislative initiatives proposed in the budget.
- Don't discuss the history, authorizing statutes, and other legal references except in special cases, as explained below.

The separate activities (and any subactivities) listed in the obligations by program activity section of the program and financing schedule should present a meaningful breakdown of the total program (see section 82.2). Therefore, it usually makes sense to address them separately in the narrative statements. You should identify the activities in side headings by the title used in the program and financing schedule and present them in the same order.

(b) *Inactive accounts.*

An account is inactive if it shows no obligations in the CY or BY and you estimate that no obligations will be incurred in the outyears. The narrative for inactive accounts should explain why the account is inactive. For example, it may be that the account funded a temporary study commission that is no longer authorized, received no appropriation after the PY, and simply spends out obligated balances. If an inactive account shows any budgetary resources (budget authority or unobligated balances) in the CY, BY, or outyears, the narrative should explain the expected disposition of the budgetary resources.

**97.4 What should narrative statements say about performance goals and indicators?**

The statements should be consistent with the strategic plans and annual performance plans required for the agency in Part 2 of this Circular. Use the statements to discuss both the short-range and the long-range performance goals of the program. Explain how the budget year request supports them. Address significant increases or decreases in performance or financing from the current to the budget year (including a proposal to terminate a program in the budget year).

Include data on performance goals, preferably those that focus on outputs or outcomes instead of workload and other process measures. Outputs should reflect the products and services provided by the account and delivered or used outside of the account. Outcomes should reflect the results related to the outputs. Use tables to illustrate and compare these goals for the past, current, and anticipated budget year levels.

**97.5 How do I get narrative statements into print?**

Narrative statements are print materials. OMB will provide you with reprinted galleys, which will include the narrative statements for accounts presented in the previous year's budget. You should edit these galleys. For accounts not included in the reprinted galleys, prepare the narrative statements as new print materials. See section 95 for more detailed instructions on revising and submitting print materials.

**97.6 Are there specific requirements for narrative statements in certain cases?***(a) Overview.*

In addition to the information required for active accounts in general (see section 97.3), the narrative should include certain specific information, described in the following paragraphs, if the account involves any of the following:

- Major programs financed by multiple budget accounts;
- Revolving funds;
- Federal credit programs;
- Various other special cases.

*(b) Narrative statements for major programs financed by multiple budget accounts.*

Where a single budget account doesn't contain the total financing needed to conduct a major program, include a table in the narrative statement of the account that finances the major portion of the program activity (that is, the "primary" account). Following the format of exhibit 97, list the primary account and any other accounts (that is, "supplementing" accounts) that support the activity performed by the primary account. For the primary account, each of the supplementing accounts, and in total, show the amounts of budget authority, outlays, and FTE for each of the years PY through BY.

For this purpose, major programs are those that obtain goods and services of \$100 million or more, in budget authority or outlays for the budget year, on a non-reimbursable basis from supplementing accounts.

Support provided by supplementing accounts includes the non-reimbursed cost of central support services that are directly attributable to implementation of the program, but not charged against the primary account. For example, in the case of a grant program, the budget account funding the grant would be the primary account, while a separate salaries and expenses account used for compensation of agency personnel responsible for implementing the program (e.g., disbursing and monitoring the grants) would be the supplementing account.

Consult your OMB representative on the designation of major programs and the form and content of the information presented in the narrative table.

*(c) Narrative statements for revolving funds.*

For revolving funds, the narrative statement should include the information required for active accounts in general (see section 97.3) using the side heading *Budget program*. In addition, the narrative statement should address the following topics, with the side headings shown:

- *Financing*. Provide significant information on the fund's means of financing, such as sources of income and authority to borrow (including limits on such authority, amounts actually borrowed and repaid during the year). For funds with a statutory limit on the amount of borrowing or on the amount of debt that can be outstanding at any one time, indicate the amount of the limit and discuss the position of the fund with respect to the limit during the budget year. Include in the statement a discussion of how close to the limit the fund will approach during the year.

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- *Operating results.* Provide significant information relating to levels of revenue, expense, and net income or loss. Explain the steps being taken to dispose of any deficits and the planned disposition of net earnings. Include an analysis of retained income on a cumulative basis, disclosing any budget authority amounts used to offset deficits for non-revenue producing outlays since the inception of the fund.

For each fund covered by section 102 of the Government Corporation Control Act, include a specific recommendation on the application of the retained earnings or restoration of capital impairment at the end of the past year. The recommendation should indicate:

- The amount of retained income to be returned to the Treasury and the use to be made of the remainder, if any; and
- Whether restoration of any capital impairment is required and whether this should be done by appropriations or other means.

(d) *Narrative statements for Federal credit programs.*

Narrative statements for Federal credit programs should address these items:

- Significant factors in developing subsidy estimates, such as default rates and interest rates charged to borrowers;
- Where relevant, information about how risk categories are defined (see section 85.3);
- For loan guarantee programs, the percentage of the loan covered by the guarantee.

Use the following paragraphs, modified as necessary, to describe each account for a credit program.

*For liquidating accounts:*

As required by the Federal Credit Reform Act of 1990, this account records, for this program, all cash flows to and from the Government resulting from [direct loans obligated] [and][loan guarantees committed] prior to 1992. All new activity in this program (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year) is recorded in corresponding program accounts and financing accounts.

*For program accounts:*

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the [direct loans obligated] [and] [loan guarantees committed] in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

*For direct loan financing accounts:*

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

*For guaranteed loan financing accounts:*

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from loan guarantees committed in 1992 and beyond (including modifications of loan guarantees that resulted from commitments in any year). The amounts in this account are a means of financing and are not included in the budget totals.

*(e) Narrative statements in special cases.*

The narrative statement should explain any special circumstances affecting the means of financing the program. Cover the following cases in particular:

- *Permanent budget authority.* Indicate the legal basis for the authority (since no appropriations language is presented for such items).
- *Offsetting collections and receipts.* When offsetting collections or receipts earmarked in a special or trust fund finance a significant portion of the obligations of the account, discuss the source of the collections or receipts and the purposes of and restrictions on their use. For example, discuss user fees charged to the public, reimbursable work performed for other organizations, and asset sales. The narrative should also discuss receipts generated by the program but deposited into the general fund of the Treasury, when pertinent to the operations of the program.
- *Agency debt issued and investments in agency debt.* Unless the information is provided in a balance sheet for the account, the narrative statement should include the following information, as applicable, for PY-1 through BY. For accounts that issue debt instruments to other Federal accounts (excluding debt issued to Treasury or to the Federal Financing Bank) or to non-Federal entities, indicate the par value of outstanding debt securities issued by the account to other Federal accounts (in total) and non-Federal entities (in total). For accounts that own securities issued by other Federal accounts (excluding securities issued by the Treasury or the Federal Financing Bank) or by non-Federal entities, indicate the par value of the securities owned that were issued by Federal accounts (in total) and non-Federal entities (in total).
- *Limitations on borrowing or debt.* For accounts with a statutory limit on the amount of borrowing or on the amount of debt that can be outstanding at any one time, indicate the amount of the limit and discuss the position of the fund with respect to the limit during the budget year. Include in the statement a discussion of how close to the limit the fund will approach during the year.

**97.7 What do I need to know about footnotes and tables?**

Other sections of this Circular require footnotes and tables in certain circumstances. In some cases, these footnotes and tables appear to be part of a MAX schedule or resemble a MAX schedule. However, you must treat these footnotes and tables as part of the narrative statements because they aren't in the MAX A-11 database and aren't automatically generated.

- *Transfer in the estimates.* For an account with a transfer in the estimates as defined in section 20.4(k), prepare a footnote in the format described in section 82.12 and insert it following the program and financing schedule.
- *Transfer of resources.* For an account with a transfer of resources as defined in section 20.4(j), prepare a footnote in the format described in section 82.11 and insert it at the end of the program and financing schedule.
- *Allocation accounts.* For each bureau (or agency if the agency has no bureaus) that receives an allocation as defined in 20.4(1), prepare a footnote in the format described in section 82.15 and insert it at the end of the print materials for the bureau that receives allocations.
- *Consolidated schedules and merged accounts.* For a program and financing schedule that contains data for accounts that have been consolidated or merged (see sections 71.6 and 71.7), prepare a table distributing budget authority and outlays by account in the format described in section 82.13 and insert it following the program and financing schedule.
- *Annual limitations on trust or revolving funds.* For a trust or revolving fund with an annual limitation on administrative expenses or other annual limitation on its obligations, prepare a table following the guidance in section 82.14 and insert it following the limitation language.

**Analysis of Programs Financed by Multiple Budget Accounts**

Multiple Budget Account  
Program Financing Table

Bureau of Standardization  
Mechanical Standards Grants

Analysis of Programs Financed by Multiple Budget Accounts  
(dollar amounts in millions)

<u>PRIMARY ACCOUNT</u>	<u>PY</u>	<u>CY</u>	<u>BY</u>
Mechanical standards grants:			
35-3492-0-1-809			
Budget authority.....	2,409	1,988	1,735
Outlays.....	2,215	1,843	1,639
Full-time equivalent employment (FTE).....	.....	.....	.....
SUPPLEMENTING ACCOUNTS			
Salaries and expenses			
35-0100-0-1-809			
Budget authority.....	125	120	115
Outlays.....	128	123	118
Full-time equivalent employment (FTE).....	2,500	2,400	2,300
Metallurgy research:			
35-1000-0-1-807			
Budget authority.....	50	50	50
Outlays.....	40	45	50
Full-time equivalent employment (FTE).....	500	500	500
TOTAL RESOURCES:			
Budget authority.....	2,584	2,158	1,900
Outlays.....	2,383	2,011	1,807
Full-time equivalent employment (FTE).....	3,000	2,900	2,800