

GUIDE TO OMB CIRCULAR NO. A-11

What is the purpose of the Circular?

Part 1: Provides an overview of the budget process. It discusses the basic laws that regulate the budget process and the terms and concepts you need to know to understand the budget process and this Circular. (Sections numbered 10 through 22)

Part 2: Covers development of the President's Budget and tells you how to prepare and submit materials required for OMB and Presidential review of agency requests and for formulation of the FY 2020 Budget, including development and submission of performance budgets for FY 2020. A significant portion of this part focuses on the preparation of the Budget *Appendix* and the related database. Detailed instructions for a number of requirements not directly related to the preparation and production of the budget are accessible through electronic links that are provided in section [25](#). (Sections numbered 25 through 95)

Part 3: Discusses sequestration, supplementals and amendments, deferrals and Presidential proposals to rescind or cancel funds, and investments. (Sections numbered 100 through 113)

Part 4: Provides instructions on budget execution, including guidance on the apportionment and reappropriation process, a report on budget execution and budgetary resources (SF 133), and a checklist for fund control regulations. (Sections numbered 120 through 150)

Part 5: Covers Federal credit programs, including requirements related to the preparation of budget estimates and to budget execution. (Section number 185)

Part 6: Describes requirements under GPRA Modernization Act, the Program Management Improvement Accountability Act, and the Administration's approach to performance management and program/project management including a) requirements for agency strategic plans, annual performance plans and reports on a central website; b) Agency Priority Goals and Cross-Agency Priority Goals; c) reviews of agency performance and portfolios of programs; d) program and project management; e) managing customer experience and improving service delivery and f) elimination of unnecessary agency plans and reports. (Sections numbered 200 through 290).

Part 7: Contains supplementary materials. (Appendices numbered A through K and the Capital Programming guide)

How do I find information in the Circular?

The Circular groups related requirements together and presents requirements chronologically, where appropriate (e.g., instructions related to budget formulation are included in Part 2, and instructions related to budget execution are included in Part 4).

The information in each part is divided into chapters and, in some cases, subchapters. The chapters are organized into a series of sections that consist of consecutively numbered subsections. Section numbers are not repeated between parts. We reserved certain section numbers for future use, so there are gaps in the numbering scheme. Page numbers identify the section number and page within that section.

At the beginning of the Circular, there is a table of contents that identifies all the parts, chapters, sections and associated page numbers.

GLOSSARY

Appropriations. An appropriation provides budget authority that permits Government officials to incur obligations that result in immediate or future outlays of Government funds.

Regular annual appropriations. These appropriations are:

- Enacted normally in the current year;
- Scored entirely in the budget year; and
- Available for obligation in the budget year and subsequent years if specified in the language (see "Availability," below).

Availability. Appropriations made in appropriations acts are available for obligation only in the budget year unless the language specifies that an appropriation is available for a longer period. If the language specifies that the funds are to remain available until the end of a certain year beyond the budget year, the availability is said to be "multi-year." If the language specifies that the funds are to remain available until expended, the availability is said to be "no-year." Appropriations for major procurements and construction projects are typically made available for multiple years or until expended.

Assets. Tangible or intangible items owned by the Federal Government which would have probable economic benefits that can be obtained or controlled by a Federal entity (adapted from SFFAS No. 6, Elements of Financial Statements, and Kohler's Dictionary for Accounting).

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 and schedule goals and any deviation from performance goals. The goals, and any changes to the goals, must be approved by OMB.

- **Cost and schedule goals.** The baseline cost and schedule goals should be realistic projections of total cost, total time to complete the project, and interim cost and schedule goals. The interim cost and schedule goals should be based on the value of work performed or a comparable concept. Appendix 3 illustrates the earned value concept for establishing cost and schedule goals, one of several concepts that could be used.
- **Performance goals.** A target level of performance against which actual achievement or progress can be compared, preferably expressed as a tangible, measurable objective or as a quantitative standard, value, or rate. This can include goals containing key milestones or goals framed as a position relative to the past or relative to peers.
- **Illustrative major milestones in establishing goals.** Illustrative major milestones in establishing or proposing revised baseline goals could be:
 - Agency mission analysis, process design, and requirements development;
 - Agency submission and justification to OMB;
 - Approval for inclusion in the Administration's budget proposal to the Congress;
 - Enactment of appropriations;
 - Before and after the contract or contracts are signed; and
 - Other times after the contracts are signed, depending on circumstances.

Budget Authority. Budget authority (BA) is the authority provided by Federal law to incur financial obligations that will result in outlays. Most budget authority for acquisitions is in the form of appropriations; other types are contract authority, authority to borrow, and spending authority from offsetting collections.

This definition of budget authority is consistent with the definition contained in Section 3(2) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Omnibus Budget and Reconciliation Act of 1990. Section 20.4 of Circular A-11 explains budget authority in more detail.

Capital Assets. See Appendix 1.

Capital Programming. See OMB Circular A-11, Part 7 definition on page 2.

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.

- **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.
- **Useful asset.** A useful asset is an economically and programmatically separate segment of the asset or whole asset that may be procured to provide a useful 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 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 is 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 without subsequent modules. The module should be designed so that it can be enhanced or integrated with subsequent modules if future funding becomes available.

Commercially Available Off-The-Shelf (COTS) Item. Any item, other than real property, that is of a type customarily used by the general public for nongovernmental purposes, and that has been sold, leased, or licensed to the general public; is sold, leased, or licensed in substantial quantities in the commercial

marketplace; and is offered to the Government, without modification, in the same form in which it is sold, leased, or licensed in the commercial marketplace.

Cost. Defined in SFFAC No. 1, Objectives of Federal Financial Reporting, as the monetary value of resources used. Defined more specifically in SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, as the monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service. Depending on the nature of the transaction, cost may be charged to operations immediately (i.e., recognized as an expense of the period) or to an asset account for recognition as an expense of subsequent periods. In most contexts within SFFAS No. 7, Accounting for Revenue and Other Financing Sources, "cost" is used synonymously with expense. See also, "Full Cost."

Efficiency measures. While outcome measures provide valuable insight into program achievement, more of an outcome can be achieved with the same resources if an effective program increases its efficiency. Agencies are encouraged to develop efficiency measures. Efficiency gains may be described as maintaining a level of performance at a lower cost, improving performance levels at a lower cost, improving performance levels at the same cost, or improving performance levels to a much greater degree than costs are increased. Simply put, efficiency is the ratio of the outcome or output to the input of any program.

Full Cost. All direct and indirect costs to any part of the Federal Government of providing goods, resources, and services (OMB Circular A-25: User Charges (July 8, 1993)). The total amount of resources used to produce the output. More specifically, the full cost of an output produced by a responsibility segment is the sum of: (1) the costs of resources consumed by the responsibility segment that directly or indirectly contribute to the output; and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities (SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government).

Funding. There are two types of funding for projects: (1) Full funding means that appropriations are enacted that are sufficient in total to complete a useful segment of a capital project (investment) before any obligations may be incurred for that segment. When capital projects (investments) or useful segments are incrementally funded, without certainty if or when future funding will be available, it can result in poor planning, acquisition of assets not fully justified, higher acquisition costs, projects (investments) delays, cancellation of major projects (investments), the loss of sunk costs, or inadequate funding to maintain and operate the assets. Budget requests for full acquisition propose for full funding. (2) Incremental (annual) funding means that appropriations are enacted that only fund an annual or other part of a useful segment of a capital project (investment). OMB or the Congress may change the agency's request for full funding to incremental funding in order to accommodate more projects in a year than would be allowed with full funding.

Information Technology. Section 5002 (3) of the Clinger-Cohen Act defines information technology as follows:

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."

Information Technology Systems for National Security. Section 5142 of ITMRA defines a national security system as follows:

"(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; or
5. subject to subsection (b), is critical to the direct fulfillment of military or 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)."

Integrated Project Team (IPT). Integrated Project Team means a multi-disciplinary team led by a project manager responsible and accountable for planning, budgeting, procurement and life-cycle management of the investment to achieve its cost, schedule, and performance goals. Team skills include: budgetary, financial, capital planning, procurement, user, program, architecture, earned value management, security, and other staff as appropriate.

Life-cycle Costs. Life-cycle costs of an asset are all direct and indirect initial costs, including planning and other costs or procurement; all periodic or continuing costs of operation and maintenance; and costs of decommissioning and disposal.

Nation's Integrated Industrial Base. The Nation's integrated industrial base includes those companies with facilities, design and manufacturing processes, and technologies capable of servicing both commercial and Government needs.

Non-Developmental Item (NDI). Any previously developed item of supply used exclusively for governmental purposes by a Federal agency, a State, or local government that requires only minor modifications or modifications of a type customarily available in the commercial marketplace.

Outcome Measure. Outcomes describe the intended result of carrying out a program or activity. Outcome measure indicates progress against achieving the intended result of a program. Indicates changes in conditions that the Government is trying to influence.

Outlay. The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed.

Output Measure. A type of measure, specifically the tabulation, calculation, or recording of activity or effort usually expressed quantitatively. Outputs describe the level of activity that will be provided over a period of time. Outputs refer to the activities or products of a program. While output measures can be useful,

there must be a reasonable connection between outputs used as performance indicators and outcomes. Agencies should select output measures based on evidence supporting the relationship between outputs and outcomes, or in the absence of available evidence, based on a clearly established argument for the logic of the relationship.

Performance budget. A budget presentation that clearly links performance goals with costs for achieving a target level of performance. In general, a performance budget links strategic goals with related long-term and annual performance goals (outcomes) with the costs of specific activities to influence these outcomes about which budget decisions are made. The Performance Budget/Annual Performance Plan is either used to structure or is a part of the agency's budget submission to OMB and the agency's Congressional Budget Justification.

Performance Measurement. A means of evaluating efficiency, effectiveness, and results. A particular value or characteristic used to measure progress toward goals, and also used to find ways to improve progress, reduce risks, or improve cost-effectiveness.

Portfolio. A set of programs, projects or other work grouped together to meet strategic goals and objectives.

Program Risk-Adjusted Budget (PRB). The total budget that represents the amount of resources and schedule expected to be needed to cover the risk of cost and schedule overruns to meet a 90 percent probability of project/program success. It is an amount held at a level above the program level to be released to the program when needed to cover risk that was not identifiable through an IBR, but that history indicates will cause cost and schedule overruns from the Performance Measurement Baseline through no fault of the program management process.

Program. An ongoing initiative composed of a group of projects and other work managed in a coordinated way to obtain benefits not obtained from managing them individually.

Project. A temporary endeavor to create a unique product or service with a start date, a completion date, and a defined scope.

Strategic Goal. A statement of aim or purpose that is included in a strategic plan. Strategic goals articulate clear statements of what the agency wants to achieve to advance its mission, and address relevant national problems, needs, and challenges. Each performance goal should relate to the strategic goals of the agency.

Support Costs. Costs of activities not directly associated with production. Typical examples are the costs of automation support, communications, postage, process engineering, and purchasing.

Target. Quantifiable or otherwise measurable characteristic that tells how well or at what level a program aspires to perform.