MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Joshua B. Bolten

SUBJECT: Budget Discipline for Agency Administrative Actions

As announced in the President’s Fiscal Year 2006 Budget (p. 27) and in keeping with the Administration’s goal of restraining Federal spending growth to sustain long-term economic growth, the Office of Management and Budget (OMB) is implementing a budget-neutrality requirement on agency administrative actions affecting mandatory-spending programs. We have asked the Congress to live by pay-as-you-go rules for mandatory-spending legislation, and we should observe a similar discipline.

Effective immediately, the following guidance shall apply to administrative actions that would increase mandatory spending:

1. As part of any proposed discretionary agency administrative action that would increase mandatory spending, the agency must include one or more proposals for other administrative actions to be taken by the agency that would comparably reduce mandatory spending. Proposals submitted without an offset will be returned to the agency for reconsideration.

2. In its annual budget submission to OMB, the agency shall include a list of all administrative actions planned or anticipated for the fiscal year covered by the submission that would increase mandatory spending in that or any subsequent fiscal year. Between annual budget submissions, the agency shall advise OMB of any anticipated administrative action that would increase mandatory spending as soon as possible after the agency becomes aware that the action is likely to occur. For discretionary administrative actions, the agency must identify offsets, pursuant to guidance paragraph 1.

3. Discretionary administrative actions covered by this guidance include regulations, demonstrations, program notices, guidance to states or contractors, or other similar actions not required by law that would increase mandatory spending. For purposes of this

---

1 For purposes of this guidance, an “increase” in mandatory spending means an increase relative to the projection in the most recent Budget or Mid-Session Review of what is required, under current law, to fund the mandatory-spending program.
memorandum, the term "administrative action" includes actions not normally subject to OMB review. Questions concerning whether a proposed discretionary administrative action is a "similar action" subject to this paragraph will be resolved by the OMB Director at his discretion. If an agency determines that a proposed administrative action that would increase mandatory spending is required by law and therefore does not permit the exercise of discretion, the agency's general counsel must provide an opinion explaining that conclusion.

4. All materials submitted to OMB in this context should include a first-year cost estimate and, whenever possible, five- and ten-year cost estimates provided by the agency’s chief actuary or, in the absence of an actuary, the chief budget or policy officer. When there is a difference between cost estimates for the action as submitted for review and as assumed in the most recent projection in the Budget or Mid-Session Review, the agency must explain the discrepancy.

5. If OMB determines that a proposed offset is inappropriate, OMB may request that the agency propose alternative offsets. Changes in baseline estimates due to economic or technical reasons, as opposed to policy actions, are not to be considered offsets.

6. Exceptions to the budget-neutrality requirement set forth in this guidance must be requested by the agency head and will be granted only when the OMB Director determines that the exception is appropriate in light of extraordinary need or other compelling circumstances. The agency head may appeal to the Budget Review Board.

Thank you for your cooperation in this important undertaking. For more information, please contact your OMB representative.