MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jacob J. Lew
Director

SUBJECT: Requirements for Development of the FY 2002 Transition Budget

This memorandum describes our plans for the preparation of the FY 2002 Transition Budget and specifies requirements for the development of baseline data and other materials, including revised deadlines for reporting budget data.

The Budget Act directs the President to submit a budget to Congress by the first Monday in February. Therefore, the FY 2002 Budget will be submitted by the next President. However, in order to lay the groundwork for the incoming Administration’s budget and to facilitate development of that budget during the transition, we intend to prepare a Transition Budget. It will consist of a technical presentation of current services information, an economic update, and a programmatic update, similar to the narrative materials included in the main budget volume of the FY 2001 Budget.

You will be asked to provide all the data required to construct a complete baseline budget by account for FYs 2002 through 2011, as well as actual data for the past year (PY) and policy data for the current year (CY), by the middle of December. You will be asked to complete the technical review of PY and CY data, including identification of anomalies. In addition, you will be asked to submit an integrated annual performance plan with goals based on current services budget levels, associating budgetary resources with agency goals, by the middle of October. The timetable for developing these materials is attached.

Initial Budget Submissions and the Fall Budget Review Process

We will not ask you for your formal request in September, and there will be no formal agency hearings or Director’s Review process this Fall. Most of the policy materials you usually submit in September in
support of your budget requests will not be required until after the new Administration (or a transition team) is in place, although you may be asked to provide information on selected topics in the Fall by your OMB representatives. If you are asked to provide such information, the data will be prepared on a current services basis.

During this time, you should proceed with your internal review procedures in order to lay the groundwork for the incoming Administration's budget; you should work with your OMB representatives to identify key programmatic and budget issues requiring decisions after the inauguration. Most of you are now, or soon will be, working on your FY 2002 Budget requests. Even though we will not ask you for your formal requests in September, you are encouraged to continue working on them and to share appropriate information with your OMB representatives so you will be ready to provide a formal budget submission on a fast track after the transition.

OMB will also use this time to focus on program performance and technical issues, and your OMB representatives may work with you on improving alignment of your budget accounts and the programs, goals, and objectives reflected in your performance plans.

**Crosscutting Reviews**

For EXOP-initiated crosscutting reviews (e.g., research and development, food safety, national security), you will not be required to provide FY 2002 budget information this Fall. However, it is particularly important that you continue to work with OMB and the other appropriate EXOP offices to ensure coordination for crosscutting programs so they can be handed off to the next Administration.

For planning purposes, crosscutting budget data should be based on current services budget levels.

**Agency FY 2002 Performance Plans**

You will be asked to submit FY 2002 performance plans in mid-October. The performance goals in these plans should be based on current services estimates updated to reflect final congressional action. The plans should also include FY 2000 and earlier year trend data on performance measures. OMB’s review of the plans will emphasize performance levels based on current services that do not include policy initiatives.

As in the past, the plans should provide a succinct description of your mission and long-term goals, based on the Strategic Plan that you will have sent to OMB and the Congress in September. Many of you will need to adjust your annual performance goals to reflect the updated strategic plans and the means and strategies you will use to achieve those goals. This information will serve as one point of focus as we work with you to understand better the relationships between budgetary resources and performance results.
After revision to incorporate the new Administration's policies, you will send your FY 2002 performance plans to Congress concurrent with the transmittal of your congressional budget justifications.

Additional Guidance

OMB Circular A-11 provides guidance on the preparation and submission of budget estimates. Most of the changes needed to accommodate the transition relate to timing and not specific requirements. The revised Circular will contain a section that outlines the timing of requirements associated with the FY 2002 Transition Budget. We plan to issue the revised Circular in early July.

We expect to send you another memorandum after the transition has begun that will provide guidance on policy development for FY 2002. That memorandum would describe the process and timing for submitting agency requests, information required for analytical purposes, budget data, and other materials that will be used to prepare the incoming Administration's budget. We anticipate that current services data may need to be adjusted to reflect the economic assumptions of the incoming Administration and that current year policy estimates may need to be adjusted to reflect supplementals, rescissions, and other changes resulting from new policy. The guidance will address these requirements.