



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 7, 2017

M-17-28

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Mick Mulvaney
Director

A handwritten signature in black ink, appearing to read "M. Mulvaney", with a horizontal line and a date "0707" written below it.

SUBJECT: Fiscal Year (FY) 2019 Budget Guidance

The FY 2018 Budget reprioritizes spending in several important ways. It invests in defense and reverses the defense sequester, filling critical gaps in our warfighting readiness. It increases investments in border security and public safety, providing critical resources to enforce the Nation's immigration laws and tackle society's most pressing problems. It supports broader efforts to streamline government by ensuring that the Federal Government spends precious taxpayer dollars only on worthwhile policies, and in the most efficient, effective manner.

In the FY 2019 Budget, the Administration will build on the ambitious plans laid out in the President's first budget. In particular, the FY 2019 Budget will provide an opportunity to present a comprehensive plan for reforming the Federal Government and reducing the Federal civilian workforce. It also will reflect the first impacts of the Government reorganization called for by Executive Order 13781. The Office of Management and Budget (OMB) looks forward to collaboratively working with agencies to help deliver the fiscal restraint necessary to achieve 3 percent economic growth over time.

2019 Discretionary Budget Submission. Supporting the President's commitment to reprioritize spending and redefine the proper role of the Federal Government will require renewed efforts to focus limited resources on the most effective programs as well as continue to reduce waste, fraud, and abuse of taxpayer dollars. Unless otherwise directed by OMB, your initial discretionary FY 2019 budget submission to OMB should continue the proposals included in the FY 2018 Budget, and should reflect a level no higher than the net total provided for your agency in the FY 2019 column of the FY 2018 Budget. Unless otherwise directed by OMB, this

guidance applies to both defense (budget function 050) and non-defense spending, and agencies may not reduce one to offset increases in the other.

The above notwithstanding, agencies are requested to identify additional investments in effective programs that further support their mission and fill a clear Federal role. Overall, these investments should reflect no more than a 5 percent increase above your submission level. These additional investments should be separately identified in your budget submission and ranked in priority order. OMB will closely scrutinize these requests, and, working with your Department or Agency, may accommodate a limited number of them within the FY 2019 Budget.

Submissions are due to OMB no later than September 11, 2017. In general, all agencies should maintain sufficient funding for presidential priorities, while closely scrutinizing other spending to ensure it reflects a proper Federal role and that taxpayer dollars are spent wisely.

When developing your FY 2019 submission, unless otherwise directed by OMB, please exclude: 1) shifts of costs or activities to other parts of the Federal budget; 2) reclassifications of existing discretionary spending to mandatory; 3) reductions to mandatory spending to be enacted in appropriations bills; 4) across-the-board reductions; and 5) the enactment of new user fees to offset existing spending. However, you may include these items as separate proposals for consideration on their merits or as alternative ways to achieve the guidance level.

Mandatory Budget Proposals. Your FY 2019 submission should continue the mandatory proposals included in the FY 2018 Budget, except as otherwise directed by OMB. We look forward to working with you over the next several months to review and refine these proposals, as well as develop new stand-alone mandatory savings proposals. Any new mandatory proposals should be at least budget neutral, or should be accompanied by new mandatory offsets that fully cover the costs of the new proposals.

Government-wide Reform and Performance Planning. The Federal Government can – and should – operate more effectively, efficiently, and securely. To that end, the President issued Executive Order 13781 “Comprehensive Plan for Reorganizing the Executive Branch” and the “Hiring Freeze” Presidential Memorandum, which are being implemented under OMB memorandum M-17-22. Per M-17-22, agencies will submit Agency Reform Plans and long-term workforce plans to OMB concurrent with their FY 2019 budget requests. These plans should include proposals in four categories: eliminate activities; restructure or merge; improve organizational efficiency and effectiveness; and workforce management. The FY 2019 budget process will give special consideration to bold reform or reorganization proposals that have the potential to dramatically improve effectiveness and efficiency of government operations. Agency budget submissions should indicate costs, savings, and/or cost avoidance for each reform proposal, including where proposals may have up-front or short-term costs to implement. In cases where such costs exceed the guidance levels in this memorandum, agencies should provide a robust justification that explains the return on investment in terms of improved performance and taxpayer savings over time.

In general, the agency budget request levels should incorporate the reforms proposed in the Agency Reform Plan submissions to OMB. However, where agencies are proposing major changes to account or organizational structures, agencies should discuss how to reflect the changes with their Resource Management Office (RMO) prior to submission.

In addition, concurrent with the FY 2019 budget submission to OMB, agencies will also submit a draft strategic plan covering FYs 2018-2022, a draft FY 2019 performance plan aligned to resources requested in the FY 2019 budget submission, and agency priority goals covering the FYs 2018-2019 cycle. Agencies should develop agency priority goals that are near-term, implementation and outcome focused, measurable, and reflect the performance priorities of agency leadership.

Evidence and Evaluation. The Administration is committed to building evidence and better integrating evidence into policy, planning, budget, operational, and management decision-making. We appreciate agencies' efforts to strengthen the use of data and evidence to drive better decision making and achieve greater impact and efficiencies. To further these efforts, agencies should submit: 1) proposals to advance agency efforts to build and use a portfolio of evidence; and 2) proposals to strengthen agency infrastructure and capacity to use evidence, evaluation, and data as tools to improve Federal Government effectiveness. All proposals should be within the guidance levels. OMB strongly encourages agencies to engage with their RMOs early in the process of developing these proposals. Agencies should complete the 2019 Evidence template (forthcoming) as a part of their Budget submission.