

U.S. NUCLEAR REGULATORY COMMISSION MANAGEMENT DIRECTIVE (MD)

MD 4.7	BUDGET FORMULATION	DT-17-127
<i>Volume 4:</i>	Financial Management	
<i>Approved By:</i>	Stephen G. Burns, Chairman	
<i>Date Approved:</i>	August 15, 2016	
<i>Cert. Date:</i>	N/A, for the latest version of any NRC directive or handbook, see the online MD Catalog .	
<i>Issuing Office:</i>	Office of the Chief Financial Officer Division of Planning and Budget	
<i>Contact Name:</i>	Jamie Green 301-415-5924	

EXECUTIVE SUMMARY

Management Directive (MD) 4.7, "Budget Formulation," is being issued to replace, in part, MD 4.7, "Policies and Practices Governing NRC Long-Range Planning, Budget Formulation, and Resource Management" (Manual Chapter 1301). MD 4.7 addressed a broad scope of agency planning, budgeting, and financial activities. Based on Commission direction (COMSECY-13-0011), the Office of the Chief Financial Officer and the Office of the Executive Director for Operations are replacing MD 4.7 with four separate MDs: MD 4.7, "Budget Formulation"; MD 4.8, "Budget Execution"; MD 6.9, "Performance Management"; and MD 6.10, "Strategic Planning." The administrative control of funds section in MD 4.7 was superseded by MD 4.2, "Administrative Control of Funds," which was revised in 2015. MD 4.7 describes the policy guidance and direction for developing the agency's annual budget, including defining stakeholder roles and responsibilities.

TABLE OF CONTENTS

I. POLICY	2
II. OBJECTIVES	2
III. ORGANIZATIONAL RESPONSIBILITIES AND DELEGATIONS OF AUTHORITY.....	3
A. Chairman.....	3
B. Commission.....	3
C. Chief Financial Officer (CFO).....	4
D. Executive Director for Operations (EDO).....	5

For updates or revisions to policies contained in this MD that were issued after the MD was signed, please see the Yellow Announcement to Management Directive index ([YA-to-MD index](#)).

E. Performance Improvement Officer (PIO).....	6
F. Chief Information Officer (CIO)	6
G. Office of the General Counsel (OGC)	6
H. Office Directors and Regional Administrators	6
IV. APPLICABILITY	8
V. DIRECTIVE HANDBOOK	8
VI. REFERENCES.....	9

I. POLICY

- A.** It is the policy of the U.S. Nuclear Regulatory Commission to prepare and submit an annual budget to the President and Congress. The budget is used to obtain the necessary resources to effectively carry out the agency’s mission and establish performance indicators designed to monitor the use of these resources to achieve established strategic goals.
- B.** The annual performance budget is prepared (formulated) and submitted in accordance with the Budget and Accounting Act of 1921, as amended; Office of Management and Budget (OMB) Circular No. A-11, “Preparation, Submission, and Execution of the Budget”; and the Government Performance and Results Act Modernization Act of 2010 (GPRAMA).

II. OBJECTIVES

- Ensure compliance in the budget formulation process with the GPRAMA and OMB Circular No. A-11.
- Provide policy guidance and direction for the agency’s annual budget formulation process.
- Establish roles and responsibilities for the annual budgeting process.
- Establish the process to develop performance goals and indicators integral to the annual budget that provide for effective performance management and measurement of success.
- Establish a performance-based budgetary process that provides the framework to use resources wisely and manage for results through integral performance indicators.
- Establish the process to formulate and submit for approval an annual budget that carries out the NRC mission to achieve established strategic goals in accordance with OMB and congressional requirements and schedule.

- Establish the budget formulation phase of the Planning, Budgeting, and Performance Management (PBPM) process cycle to align planning, budgeting, program performance, and accountability.
- Ensure that the agency's budget formulation is aligned with the strategic plan and performance goals.

III. ORGANIZATIONAL RESPONSIBILITIES AND DELEGATIONS OF AUTHORITY

A. Chairman

1. Appoints the Executive Director for Operations (EDO), who serves as the Chief Operating Officer (COO), and the Chief Financial Officer (CFO), subject to the approval of the Commission.
2. Proposes performance indicators for the strategic objectives as part of the Annual Performance Plan (APP), and proposes other indicators required by the GPRAMA to the Commission for approval as part of the Chairman's budget proposal.
3. Provides high-level planning guidance (HLPG), including overall fiscal guidance and planning assumptions for programs and activities, for the development of the Chairman's budget proposal through the CFO and the EDO.
4. Provides the Chairman's budget proposal to the Commission for approval, including the annual current estimate.
5. Submits the Commission-approved performance budget to OMB.
6. Submits to Congress the Commission-approved and OMB-approved President's Budget in the form of the Congressional Budget Justification (CBJ), and any significant reprogramming requests.

B. Commission

1. Approves the appointment of the EDO/COO and the CFO.
2. Reviews, makes changes (if necessary), and approves the Chairman's HLPG.
3. Makes changes (if necessary) and approves the annual Chairman's budget proposal and the CBJ through established Commission procedures, including the current estimate.
4. Approves the APP submitted to OMB and Congress.
5. Determines whether to appeal OMB decisions on the performance budget.

6. Approves significant reprogramming changes to the programs and resources described in the NRC budget.
7. Approves the CBJ.

C. Chief Financial Officer (CFO)

1. Serves as the agency's lead for the budget formulation process, budget structure, and schedule, except for budget formulation conducted within the authority of the Inspector General.
2. Carries out the administrative functions associated with NRC budget development activities, including serving offices' centralized budget formulation needs.
3. Responsible for the development of a comprehensive budget structure and system for budget construction.
4. Serves as the product line lead office for the development of agency financial management budgets and policy support activities in the budget.
5. In coordination with the EDO, works with lead offices to update prior year HLPG and recommends to the Chairman the guidance for preparing the budget estimates.
6. In coordination with the COO and Performance Improvement Officer (PIO), ensures that the APP is developed for the annual budget in accordance with the GPRAMA.
7. Conducts financial analysis for NRC budget decisions and establishes business and product line resource targets through baseline budgeting.
8. In coordination with the EDO, provides advice and guidance to the business and product line lead offices for the development of the Chairman's budget proposal.
9. In coordination with the EDO and PIO, develops the Chairman's budget proposal, including the APP.
10. Coordinates staff responses to Commissioner questions on the Chairman's budget proposal.
11. In coordination with the EDO and PIO, revises the Chairman's budget proposal based on Commission decisions for submittal to OMB.
12. Serves as the principle agency liaison with OMB and congressional appropriations staff on matters pertaining to the agency's budget, including coordinating with the COO and PIO when interacting with OMB regarding performance management.

13. Coordinates with the Office of Congressional Affairs (OCA) to liaison with congressional appropriations staff on matters pertaining to the agency.
14. Ensures that OMB supplementary reporting requirements are submitted to OMB as part of the budget request.
15. Ensures any necessary adjustments are made to the performance budget to prepare the final CBJ based upon budgetary decisions of the Chairman, Commission, and OMB after their review.

D. Executive Director for Operations (EDO)

1. Serves as the Chief Operating Officer, as defined by the GPRAMA.
2. Serves as the agency's lead to provide overall management to monitor and improve agency performance and achieve the mission and goals of the agency through the use of strategic and performance planning, performance measurement, analysis, regular assessment of progress, and use of performance information to improve the results achieved.
3. Appoints the PIO and the Chief Information Officer (CIO), who report to the COO.
4. Appoints a leader for each performance goal in the APP.
5. Promotes a results-oriented, performance-based management culture within the agency.
6. Provides overall programmatic guidance to all offices on the plans and programs needed to carry out the agency's strategic plan as part of the annual budget process.
7. Informs and provides recommendations on programs and resources to the Chairman.
8. In coordination with the CFO, recommends to the Chairman the guidance for preparing the budget estimates.
9. Determines the necessary resources, annual goals, and performance indicators, in coordination with the PIO and business and product line lead offices, for all programs in developing the Chairman's budget proposal.
10. In coordination with the CFO, provides advice and guidance to the business and product line lead offices for the development of the Chairman's budget proposal.
11. In coordination with the CFO, the PIO, and the CIO with respect to information technology/information management (IT/IM), develops the Chairman's budget proposal.
12. In coordination with the CFO, revises the Chairman's budget proposal based on Commission decisions for submittal to OMB.

13. Implements budgetary decisions of the Chairman, Commission, and OMB, makes any necessary adjustments to the performance budget, and provides input to the CFO on the final CBJ.

E. Performance Improvement Officer (PIO)

1. Serves as the agency's lead for the performance management program.
2. Leads and coordinates the systematic development of the APP with all NRC offices.
3. Collaborates with the EDO and business and product line lead offices to establish the linkage between resources requested in the annual budget, integral performance indicators, and NRC strategic goals.
4. Determines the adequacy of program performance indicators and advises the COO.

F. Chief Information Officer (CIO)

1. Reports directly to the COO to carry out IT/IM responsibilities of the agency.
2. As part of the annual budget request, recommends to the Chairman and concurs on the annual IT/IM budget, in coordination with the CFO and EDO.
3. Serves as the agency's lead to set strategy and define the development processes, milestones, review gates, capital planning, enterprise architecture, project management, security risk tolerance, and reporting on IT/IM resources.
4. Reviews and approves the major IT/IM investments portion of the budget request.
5. Approves the reallocation of IT/IM resources in accordance with established agency policies.

G. Office of the General Counsel (OGC)

Provides advice on relevant legal authorities governing the budget formulation process.

H. Office Directors and Regional Administrators

1. General
 - (a) Formulate relevant portions of the budget as a business line lead or as a partner office supporting a business line lead. May delegate business line lead responsibilities. For purposes of budget formulation, the CFO and EDO have chosen to treat corporate support product lines as business lines, similar to the program business lines.

- (b) In coordination with the PIO, develop or update performance indicators to measure performance in support of their respective business and product lines.
- (c) Beginning with the FY 2019 budget formulation efforts, working through the Office of the Chief Financial Officer (OCFO) centralized budget analysts (or with the lead offices for IT/IM, international activities, and training), submit to the CFO required budget materials to support resource requests, including estimates, justifications, and performance indicators, as required by annual budget instructions. Major deliverables developed during the budget formulation process include workload estimates, initial resource requirements (with associated metrics), input on the performance budget to OMB, and input on the CBJ.

2. Business Line Leads

Business line leads are responsible for the programmatic content of their budget requests, working through the OCFO centralized budget analysts (or with the lead offices for IT/IM, international activities, and training). Responsibilities include:

- (a) Establish and lead a collaborative process to obtain input from partner offices and regions for various budget products (e.g., budget request, narrative justifications, and major unfunded items) consistent with the overall schedule and guidance provided by Office of the Executive Director (OEDO) and OCFO.
- (b) Ensure that budget and program performance are aligned.
- (c) Coordinate budget formulation activities with partner offices in accordance with the OCFO budget schedule.
- (d) Review partner office and regional inputs to ensure quality and consistency with guidance.
- (e) Collaborate with partner offices and regions regarding the basis for budget inputs, and request background information as needed.
- (f) Ensure appropriate communication and understanding between lead and partner office management before the budget submission.
- (g) Respond to budget questions in meetings with the Deputy Executive Directors for Operations (DEDOs).
- (h) Coordinate and integrate responses to budgetary questions and answers.
- (i) Coordinate unresolved issues between lead and partner office management, and consult with OEDO and OCFO as needed.
- (j) Include OCFO lead analysts in budget decision meetings.

- (k) Provide business and product line briefings to the CFO and EDO on budget requests.

3. Partner Offices

Partner offices are responsible for providing budget information to lead offices through the OCFO centralized budget analysts (or to the lead offices identified in the annual budget guidance), actively participating in budget planning and decisionmaking processes, and coordinating with other offices and regions as needed. Responsibilities include:

- (a) Participate in the collaborative process established by OCFO to prepare various budget products (e.g., budget request, narrative justifications, and major unfunded items).
- (b) Deliver budget inputs to lead offices through the OCFO centralized budget analysts, consistent with the established schedule, guidance, and quality expectations, and ensure alignment with office management before providing products to lead offices.
- (c) Collaborate with lead offices through the OCFO centralized budget analysts in responding to budget questions.
- (d) Provide background information to lead offices to support workload/resource requirements and other budget inputs upon request.
- (e) Ensure that the Information Technology Board members, as the partner office points of contact for IT/IM budget formulation, communicate the status of the information budget development to their office management and brief office management on IT/IM budget decisions.
- (f) Include OCFO lead analysts in budget decision meetings.

IV. APPLICABILITY

The policy and guidance in this directive and handbook apply to all NRC employees. With regard to the formulation of the Inspector General budget, and in accordance with the Inspector General Act of 1978, as amended (5 U.S.C. App.), all references in this directive and handbook that require Commission notification, review, and/or approval will be construed to mean Chairman notification, review, and/or approval only.

V. DIRECTIVE HANDBOOK

Handbook 4.7 provides guidance and standards for the NRC budget formulation process.

VI. REFERENCES

Nuclear Regulatory Commission

COMSECY-13-0011, "Management Directive 4.7, Policy and Practices Governing Nuclear Regulatory Commission Long-Range Planning, Budget Formulation, and Resource Management" (ML13078A042).

Management Directive—

4.8, "Budget Execution."

6.9, "Performance Management."

6.10, "Strategic Planning."

12.5, "NRC Cybersecurity Program."

12.6, "NRC Sensitive Unclassified Information Security Program."

12.7, "NRC Safeguards Information Security Program."

NUREG-1100, Performance Budget/Congressional Budget Justification, available at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1100/>.

Office of Management and Budget

OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget" (annually).

OMB Memorandum M-15-14, "Management and Oversight of Federal Information Technology," June 10, 2015.

Public Laws

Budget and Accounting Act of 1921, Pub. L. 67-13, 42 Stat. 20 (1921).

Chief Financial Officers Act of 1990, Pub. L. 101-576, 104 Stat. 2838 (1990).

Energy Reorganization Act of 1974, as amended (42 U.S.C. 5801 et seq.).

Federal Information Technology Acquisition Reform Act, Pub. L. 113-291, Title VIII, Subtitle D, 128 Stat. 3438-3450 (2014).

Government Performance and Results Act Modernization Act of 2010, Pub. L. 111-352, 124 Stat. 3866 (2011).

Inspector General Act of 1978, as amended (5 U.S.C. App.).

Reorganization Plan No. 1 of 1980 (5 U.S.C. App. 1).

U.S. NUCLEAR REGULATORY COMMISSION DIRECTIVE HANDBOOK (DH)

DH 4.7	BUDGET FORMULATION	DT-17-127
---------------	---------------------------	------------------

<i>Volume 4:</i>	Financial Management
<i>Approved By:</i>	Stephen G. Burns, Chairman
<i>Date Approved:</i>	August 15, 2016
<i>Cert. Date:</i>	N/A, for the latest version of any NRC directive or handbook, see the online MD Catalog .
<i>Issuing Office:</i>	Office of the Chief Financial Officer Division of Planning and Budget
<i>Contact Name:</i>	Jamie Green 301-415-5924

EXECUTIVE SUMMARY

Management Directive (MD) 4.7, “Budget Formulation,” is being issued to replace, in part, MD 4.7, “Policies and Practices Governing NRC Long-Range Planning, Budget Formulation, and Resource Management” (Manual Chapter 1301). MD 4.7 addressed a broad scope of agency planning, budgeting, and financial activities. Based on Commission direction (COMSECY-13-0011), the Office of the Chief Financial Officer and the Office of the Executive Director for Operations are replacing MD 4.7 with four separate MDs: MD 4.7, “Budget Formulation”; MD 4.8, “Budget Execution”; MD 6.9, “Performance Management”; and MD 6.10, “Strategic Planning.” The administrative control of funds section in MD 4.7 was superseded by MD 4.2, “Administrative Control of Funds,” which was revised in 2015. MD 4.7 describes the policy guidance and direction for developing the agency’s annual budget, including defining stakeholder roles and responsibilities.

TABLE OF CONTENTS

I.	BACKGROUND	2
	A. Planning, Budgeting, and Performance Management Process	2
	B. Applicable Laws and Guidance.....	3
	C. Information Handling Requirements.....	5
II.	THE BUDGET FORMULATION PROCESS.....	5
	A. Overview	5

For updates or revisions to policies contained in this MD that were issued after the MD was signed, please see the Yellow Announcement to Management Directive index ([YA-to-MD index](#)).

B. Internal Budget Development and Review	6
C. External Budget Development and Approval	9
III. GLOSSARY	11
IV. ACRONYMS	13

EXHIBITS

Exhibit 1	Planning, Budgeting, and Performance Management Process.....	15
Exhibit 2	Internal Budget Development and Review Process.....	16
Exhibit 3	External Budget Development and Approval Process	17

I. BACKGROUND

A. Planning, Budgeting, and Performance Management Process

1. The Planning, Budgeting, and Performance Management (PBPM) process (see Exhibit 1 to this handbook) is the framework the U.S. Nuclear Regulatory Commission employs to meet the requirements of the Government Performance and Results Act Modernization Act of 2010 (GPRAMA). The GPRAMA requires Federal agencies to be results-oriented, linking work and resources to performance expectations.
2. The PBPM process enables the NRC to link budgeted resources with program performance. Through the PBPM process, the NRC establishes performance goals to identify the required work and the resources to conduct that work. PBPM is a continuous performance monitoring and review process. This process ensures that the agency is achieving its goals and activities in an efficient and effective manner.
3. The PBPM process links four essential elements into a performance framework. The four elements are strategic planning, budget formulation, budget execution, and performance management.
 - (a) Strategic Planning – provides for developing the strategic plan, where the long-term strategies and performance expectations for the agency are established, and provides guidance for the annual agency budget and performance plan (see Management Directive (MD) 6.10, “Strategic Planning”).
 - (b) Budget Formulation – provides direction for determining the projected workload, resources, and performance indicators needed for formulating the annual budget to achieve the agency’s goals and strategic objectives. Budget formulation

produces the annual performance budget that is submitted to the President and the Congress.

- (c) Budget Execution – provides for managing and using resources obtained through the budget formulation and appropriations process to accomplish the NRC’s goals and objectives. Budget execution provides the information needed for performance management and informs the next update of the strategic plan and the budget formulation cycle. The financial costs and results are presented to the public in the NRC’s audited financial statements published in the Performance and Accountability Report (PAR) (see MD, 4.8, “Budget Execution”).
 - (d) Performance Management – provides the use of goals, indicators, targets, analysis, and data-driven reviews to improve the results of programs and the effectiveness and efficiency of agency operations. Performance management also contributes to the development of performance indicators in the annual performance plan (APP) and reporting of performance results in the annual performance report (APR), which is included in the agency’s PAR (see MD 6.9, “Performance Management”).
4. The components of the PBPM process are closely linked and complementary, reflecting a continuous cycle of performance management centered on outcomes. The NRC integrates its PBPM functions by aligning resources with the agency’s goals and establishing performance indicators to enable periodic measurement and monitoring of program execution. Regular performance assessments are used to analyze performance and seek improvements in effectiveness and efficiency.

B. Applicable Laws and Guidance

1. Budget and Accounting Act of 1921

The Budget and Accounting Act of 1921 requires the President to coordinate the budget requests for all Government agencies and to send a comprehensive budget to the Congress. It also requires the President to include certain information in the budget. The Congress has amended the requirements many times and has codified them in U.S. Code Title 31, “Money and Finance,” Chapter 11, “The Budget and Fiscal Budget and Program Information.”

2. Energy Reorganization Act of 1974

The Energy Reorganization Act of 1974, as amended, established the NRC and assigned to the NRC the regulatory work to license and regulate the Nation’s civilian use of byproduct, source, and special nuclear materials. The Act gave the Commission its collegial structure and established its major offices. Per this Act, the Chairman of the Commission is the principal executive officer of the Commission,

and he or she exercises all of the executive and administrative functions of the Commission, including functions of the Commission with respect to the use and expenditure of funds. Functions reserved to the Commission include those with respect to revising budget estimates and determining the distribution of appropriated funds according to the major programs and purposes.

3. Reorganization Plan No. 1 of 1980

The Reorganization Plan No. 1 of 1980 strengthened the executive and administrative roles of the NRC Chairman. The plan provides that the Chairman shall use and expend funds consistent with the distribution of appropriated funds according to major programs and purposes approved by the Commission. Further, the Chairman shall present the budget estimate to the Commission for its consideration. The plan also provides that the Chairman shall be governed by the general policies of the Commission and by the regulatory decisions, findings, and determinations, including those for budget revisions, the Commission may be authorized to make.

4. Chief Financial Officers Act of 1990

The Chief Financial Officers Act of 1990 assigns certain statutory responsibilities to the Chief Financial Officer (CFO). Those responsibilities include, but are not limited to, reporting directly to the head of the agency regarding financial management matters; developing agency financial management budgets; overseeing all financial management activities relating to the programs and operations of the agency; and developing and maintaining an integrated agency accounting and financial management system, including financial reporting and internal controls.

5. Government Performance and Results Act Modernization Act of 2010

The GPRAMA requires Federal agencies to develop strategic plans with long-term goals, annually develop performance plans with performance goals and associated indicators, and report annually on prior year performance. The intent of the GPRAMA is to make Federal agencies more results-oriented by linking work and resources to performance expectations and assessing agency performance and improvement. The GPRAMA contains guidance for implementing strategic plans, APPs, and APRs.

6. Federal Information Technology Acquisition Reform Act

The Federal Information Technology Acquisition Reform Act (FITARA) enhances the authority of the Chief Information Officer (CIO) related to agency information technology/information management (IT/IM). The CIO plays a significant role in the decision processes for all annual and multi-year IT/IM planning, programming, and budgeting. In addition, the CIO is responsible for agency IT/IM execution decisions,

related reporting requirements, reports related to IT/IM, and the management, governance, and oversight processes related to IT/IM.

7. Office of Management and Budget Circular No. A-11, "Preparation, Submission, and Execution of the Budget"

Office of Management and Budget (OMB) Circular No. A-11 provides requirements for the agency's performance budgeting process and execution of the budget. It includes guidance on how to prepare and submit materials required for OMB's presidential review of agency requests and formulation of the fiscal year budget. Additionally, the Circular provides the requirements for strategic plans, APPs, and APRs. It is revised annually.

C. Information Handling Requirements

NRC budget formulation is considered pre-decisional and non-public until OMB approves the President's budget. These MDs collectively establish the procedures for ensuring that sensitive information, including Sensitive Unclassified Non-Safeguards Information (SUNSI), is handled appropriately and is protected from unauthorized disclosure:

1. MD 12.5, "NRC Cybersecurity Program,"
2. MD 12.6, "NRC Sensitive Unclassified Information Security Program," and
3. MD 12.7, "NRC Safeguards Information Security Program."

II. THE BUDGET FORMULATION PROCESS

A. Overview

1. The Chairman's budget proposal specifies the activities and resources needed to carry out the NRC mission. It also links resources to agency performance goals.
2. Budget formulation covers two fiscal years – the budget request year and the prior year, also referred to as the current estimate. In reviewing the Chairman's budget proposal, the Commission concurrently reviews and approves or modifies any proposed changes to the current estimate. Additionally, throughout the course of the budget execution year, when proposed adjustments meet or exceed certain thresholds, a separate, more detailed, and immediate Commission notification/approval process is required as described in Section II.G.6 of the handbook to MD 4.8, "Budget Execution."
3. The two major processes of budget formulation are the internal and external budget processes. The internal budget process consists of all milestones and activities internal to the agency for developing the performance budget and submitting it to

OMB. The external budget process consists of all milestones and activities associated with the review of the NRC budget by OMB and Congress.

4. The Chairman, with input from the CFO, Executive Director for Operations (EDO), Performance Improvement Officer (PIO), and CIO provides the Chairman's budget proposal to the Commission for approval. The Commission-approved budget is subsequently submitted by the Chairman to OMB for approval. The Commission- and OMB-approved President's Budget is submitted to Congress in the form of the Congressional Budget Justification (CBJ).

B. Internal Budget Development and Review

The NRC internal budget development and review process (see Exhibit 2 to this handbook) encompasses the following NRC budget formulation activities associated with developing a budget for submission to OMB:

1. Development of High Level Planning Guidance
 - (a) The first step of the internal budget process is the development of proposed high level planning guidance (HLPG), which includes overarching fiscal guidance, business line planning guidance, and areas for potential offsets in the budget. This guidance is also informed by the strategic plan. The HLPG is also intended to identify areas where the staff requires direction from the CFO, EDO, and Deputy Executive Directors for Operations (DEDOs) regarding workload priorities.
 - (b) The Chairman approves the HLPG and provides it to the Commission for approval.
2. Development of Performance Indicators
 - (a) The NRC develops performance indicators integral to the budget to guide the agency in carrying out its mission and achieving its strategic goals. Performance indicators provide critical information to determine whether the NRC is achieving its goals. Performance indicators and goals establish the basis for the agency to plan, implement, and monitor work, and to make informed, value-added decisions in planning and operations.
 - (b) The performance data provide managers with key indicators of whether performance needs to change and in what direction (e.g., maintain, increase, or decrease) in order to ensure the agency meets its program goals. During the development process, offices should consider new legislation, significant industry events, Commission and OMB comments, the strategic plan, and performance results from prior years to determine whether a performance indicator needs to be added, deleted, or changed.

- (c) Business and product line lead offices develop the validation and verification statements that accompany the development of the performance indicators in the budget.
- (d) The agency establishes performance indicators as described in MD 6.9, "Performance Management."

3. Budget Direction and Guidance

- (a) The main directional setting milestone in the budget is the direction and major considerations that the Chairman provides to the CFO and EDO through the HLPG. Based on this direction, formal budget instructions, including fiscal guidance, are issued to all offices annually to guide the development of their budget input.
- (b) More specific program direction is provided separately by the EDO and CFO, including specific guidance for each business line and workload expectations for projected workload and outputs. This ensures the budget developed by business and product line lead offices is aligned with the top-down strategic direction. The budget instructions also reference other Commission direction that impacts the current year budget formulation.

4. Baseline Budgeting

Baseline budgeting is a process by which a budget is prepared using execution data and anticipated changes. Instead of building a budget request from the ground up or by adjusting the most recently formulated budget request, the baseline budgeting process uses the latest execution data and adjusts for programmatic and fact-of-life changes and projections for new or changing work.

5. Development of the Budget Request

- (a) Business and product line lead offices develop their budget input after receiving the Chairman's budget direction and more specific guidance and instructions from the CFO and EDO, including prior year execution data. The agency's budget needs to describe those programs, including performance indicators and associated resources, which are required to achieve the strategic goals. Business and product line lead offices develop their workload estimates and initial resource requirements with associated metrics. The request for each business and product line must be coordinated among partner offices to provide a logical, integrated budget for the business and product line.

- (b) As part of their budget submission, business and product line lead offices may be required to identify lower priority items in the budget or major unfunded items for consideration based on guidance the CFO receives as well as information from the Common Prioritization of Rulemaking process, which is normally included in the Chairman's Budget. The Office of the Chief Financial Officer (OCFO) and the Office of the Executive Director for Operations (OEDO) work with business and product line lead offices to edit the narrative justifications to the budget.
- (c) The business and product line lead offices submit their resource and narrative justifications to the OCFO. After receipt of these justifications, the OCFO coordinates the assembly of an agencywide budget working draft and provides this draft to the CFO, EDO, and DEDOs. The CFO's, EDO's, and DEDOs' budget recommendations are forwarded to the Chairman. This step also includes finalizing recommendations on performance indicators consistent with budget decisions.

6. Chairman's Budget Provided to the Commission

The Chairman reviews the budget input from the EDO and CFO. A copy of this budget is provided to the Commission for information while the Chairman performs his or her review. The CFO coordinates responses to any questions asked by the Chairman. Any modifications requested by the Chairman are incorporated into the proposed budget document. The Chairman's proposed budget is then provided to the Commission for review, analysis, and approval.

7. Commission Input

This milestone includes briefings by the CFO and EDO to individual Commissioners, if requested, staff responses to Commissioner questions on the budget as coordinated by the CFO, and receipt and incorporation of Commission decisions into the budget.

8. Submission of Performance Budget to OMB

The CFO works with the EDO and business and product line lead offices to finalize the budget information as a result of the Commission's budget decisions and to complete other documentation required for the performance budget to be submitted by the Chairman to OMB. The form and content of the document are specified in OMB Circular No. A-11 and other supplementary guidance provided by OMB.

C. External Budget Development and Approval

The NRC external budget development and decision process (see Exhibit 3 to this handbook) encompasses the following budget formulation activities used in the OMB review and congressional decision process:

1. OMB Review and Initial Decision

- (a) The NRC performance budget request to OMB provides the justification for the resources requested. The budget is the result of Commission budget decisions made during the internal budget development process. OMB reviews the NRC budget submission to ensure consistency with the President's national program policies and objectives. OCFO works closely with the OMB examiner to ensure that the NRC budget request is clear and complete. OMB makes decisions on the agency budget on behalf of the President and ensures that resources requested are consistent with the overall direction given by the President regarding the Federal budget.
- (b) OCFO works with OEDO and business and product line lead offices in coordinating responses to questions from the OMB budget examiner. OMB remits the budget back to the NRC with the adjustments that OMB deems necessary. This is known as the "passback." OCFO works with OEDO and offices to prepare for the passback and potential appeal.
- (c) Upon receipt of the initial passback from OMB, the CFO provides a memorandum to the EDO and Commission summarizing OMB's passback decisions. The CFO memorandum forwarding the passback to the Commission includes a discussion of the resource and program implications of the OMB initial decision, as well as the CFO and EDO recommendation regarding an appeal.

2. NRC Appeal and OMB Final Decision

After reviewing the OMB initial passback and CFO and EDO recommendation, the Commission decides whether to appeal the OMB initial decision. If the decision is not to appeal or formally comment on the OMB initial decision, the CFO will inform OMB of this Commission position and the NRC will proceed in allocating the necessary resource adjustments. If the decision is to appeal the OMB initial decision, the CFO, in coordination with the EDO, provides an appeal letter to the Commission for its approval. The letter is typically from the Chairman to the Director of OMB and specifies the recommended changes to the OMB initial passback and the rationale for the changes. After receiving the appeal letter, OMB provides its final decisions on the budget to the Chairman and the CFO.

3. Preparation of the CBJ

Once OMB issues its final budget decision, OCFO works with the EDO and business and product line lead offices to modify the performance budget to incorporate the decision and produces the agency's CBJ. The resulting President's Budget is submitted by the Chairman to Congress in the form of the CBJ.

4. Update OMB Database and Final OCFO CBJ Review

OCFO assists OMB staff in preparing the budget of the U.S. Government by entering prior year actual data, current and budget year financial and budget data, and homeland security data into the OMB database "MAX."

5. Submission of CBJ and Release of President's Budget

(a) After the CBJ is finalized and has undergone a review by both the Commission and OMB, the NRC prepares for the issuance of the CBJ to coincide with the release of the President's budget by OMB. The CBJ also includes the NRC-proposed legislation content for the budget year appropriations act. When the budget is submitted to Congress, the CBJ becomes public.

(b) In preparation for its release, OCFO coordinates with the Office of Public Affairs (OPA) and the Chairman to issue a media advisory as to when the NRC will hold a press briefing or press conference. A press release is issued by OPA providing summary highlights about the budget. The NRC CBJ and a copy of the press briefing are placed on the NRC Web site after being notified by OMB that the President has officially released the budget to Congress.

(c) The Office of Congressional Affairs (OCA) provides hard copies of the NRC CBJ to the appropriate congressional committees.

6. Congressional Review of Budget and Appropriations of Funds

The Congress reviews the President's budget request and ultimately passes an appropriation bill making funding available to the NRC. The source document for congressional review of the NRC budget is the CBJ. In addition to the CBJ, the review may involve staff briefings, hearings, and answering evaluations of the NRC's responses to congressional questions. Once passed, the bill is forwarded to the President for signature and enactment. Appropriated funds are allocated based on the specific wording and line items of the appropriations act, accompanying reports, and the CBJ submission, as revised by the appropriations act. If a bill is not enacted before the end of the fiscal year, then a continuing resolution is typically enacted to enable continuation of agency activities at the current rate of operation until an appropriation is enacted.

III. GLOSSARY

Baseline Budgeting

Baseline budgeting is a process by which a budget is prepared using execution data and anticipated workload changes. Instead of building a budget request from the ground up or by adjusting the most recently formulated budget request, the baseline budgeting process uses the latest execution data and adjusts for programmatic and fact-of-life changes and projections for new or changing work.

Budget Formulation System (BFS)

An automated system used by the NRC to collect resource input for budget formulation for each fiscal year.

Business Line Lead

A designated program office responsible for accomplishing a key programmatic component (business line) of the NRC safety mission and its associated activities. A designated corporate support office responsible for accomplishing a corporate support product line in support of the NRC's safety mission.

Corporate Support Product Lines

For purposes of budget formulation, the CFO and EDO have chosen to treat the corporate support as product lines similar to the program business lines. Examples of corporate support product lines are acquisitions, information management, and policy support.

Current Estimate

Delineates changes to the programmatic distribution of funding in the President's Budget between submission of the budget and execution.

Congressional Budget Justification

OMB-approved President's Budget submitted to Congress.

External Budget Process

Consists of all milestones and activities associated with the review of the NRC budget by OMB and Congress.

High Level Planning Guidance

Includes overarching fiscal guidance, business line planning guidance, and areas for potential offsets in the budget. HLPG is also intended to identify areas where the staff requires direction from the CFO, EDO, and DEDOs regarding workload priorities.

Internal Budget Process

All milestones and activities internal to the agency for developing the performance budget and submitting it to OMB.

Partner Offices

Offices and regions that perform work in support of a business line.

Performance Budget

Used to obtain the necessary resources to effectively carry out the agency's mission and establish performance indicators designed to monitor the use of these resources to achieve established strategic goals.

Performance Indicator

The indicator for a performance goal that will be used to track progress toward a goal or target within a timeframe.

Product Line Lead Office

Develops agency financial management budgets and policy support activities in the budget.

Reallocation of Resources

Occurs when resources are realigned to be used differently than originally budgeted for reasons such as changes in priorities or fact-of-life changes.

Reprogramming

A reallocation of resources between major programs (e.g., between Nuclear Reactor Safety, and Nuclear Materials and Waste Safety) or congressionally-established control points within an agency's account.

Validation and Verification

Validation and verification is defined in OMB Circular A-11 (Section 210-12) as it pertains to the content for strategic plans, annual performance plans, and annual performance reports. Validation and verification statements include an assessment by the agency head of the reliability and completeness of the performance data included in the plan and report. The description must include how the agency ensures the accuracy and reliability of the data used to measure progress towards its performance goals, including an identification of the means to be used to verify and validate measured values, the sources for the data, the level of accuracy required for the intended use of the data, any limitations to the data at the required level of accuracy, and how the agency will compensate for such limitations if needed to reach the required level of accuracy.

IV. ACRONYMS

APP	Annual Performance Plan
APR	Annual Performance Report
BFS	Budget Formulation System
CBJ	Congressional Budget Justification
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
DEDO	Deputy Executive Director for Operations
EDO	Executive Director for Operations
FITARA	Federal Information Technology Acquisition Reform Act
GPRAMA	Government Performance and Results Act Modernization Act
HLPG	High Level Planning Guidance
IT/IM	Information Technology/Information Management
MD	Management Directive
NRC	Nuclear Regulatory Commission
OCA	Office of Congressional Affairs
OCFO	Office of the Chief Financial Officer

OEDO	Office of the Executive Director for Operations
OMB	Office of Management and Budget
OPA	Office of Public Affairs
PAR	Performance and Accountability Report
PBPM	Planning, Budgeting, and Performance Management
PIO	Performance Improvement Officer
SUNSI	Sensitive Unclassified Non-Safeguards Information

EXHIBITS

Exhibit 1 Planning, Budgeting, and Performance Management Process



Exhibit 2 Internal Budget Development and Review Process

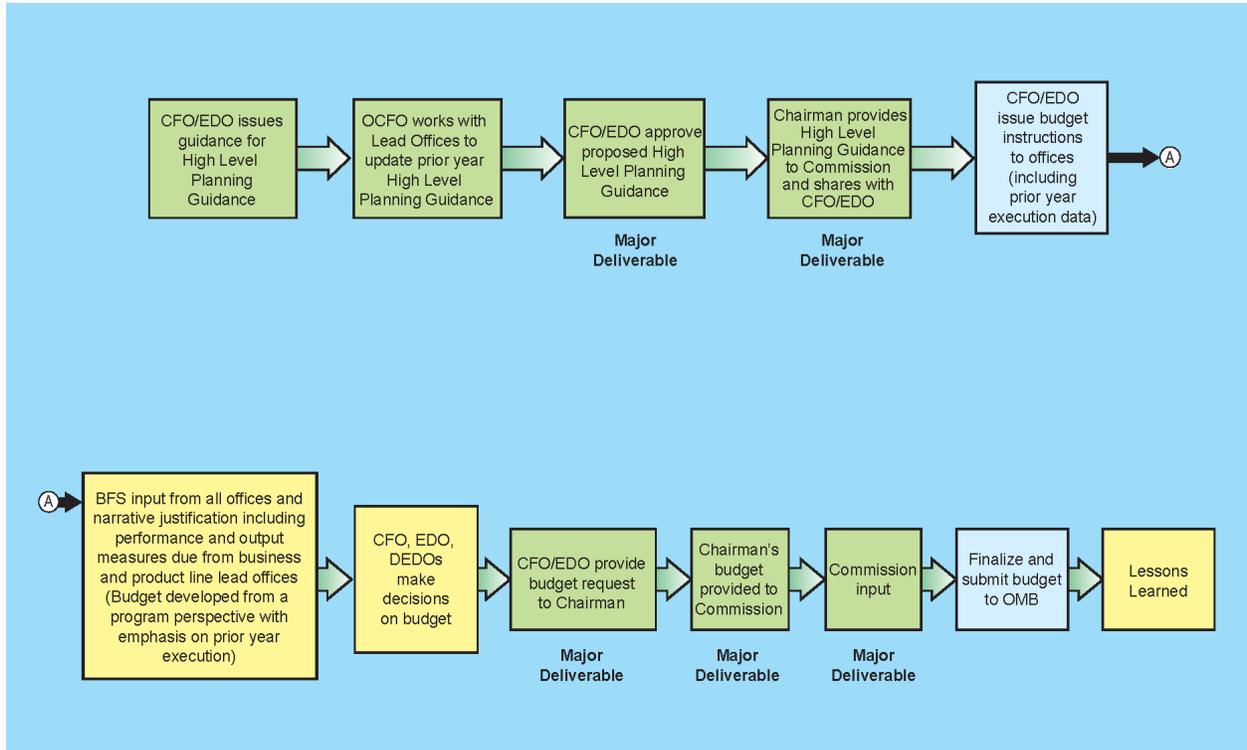


Exhibit 3 External Budget Development and Approval Process

