



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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November 16, 2000

In reply refer to:
1680 (P)
CA-944

EMS TRANSMISSION: 11/16/00
Instruction Memorandum No. CA-2001-011
Expires: 09/30/2002

To: ACOs

From: State Director

Subject: Budget Execution Guidance for Fiscal Year (FY) 2001

Attached is Washington Office Instruction Memorandum (IM) No. 2001-009, Change 1, providing advanced budget execution guidance for FY 2001 for managing leave surcharge, PCS moves, Bureau-wide and Statewide accounts, and subactivity 0777 policy and procedures. The following supplemental guidance is provided to highlight and clarify certain provisions in the attached IM.

Leave Surcharge

The 20 percent leave surcharge rate is a Bureau-wide rate, but it will also apply equally to all levels of the organization. As a result, field offices will be affected differently in their efforts to remain within subactivity cost targets at the end of the fiscal year. Also note that Headquarters will provide feedback on leave surcharge at mid-year and 3rd quarter reviews.

PCS Moves

For FY 2001, WO will again pay for moves that are GS-12/13 and above. Once States provide an estimate of costs, the National Business Center will establish a unique project code to track actual costs by employee. The WO will transfer funds to the States for such moves on a quarterly basis until the 4th quarter at which time the transfer will be monthly. States are required to manage their PCS funding for all other moves using office code 970, which means that all PCS funding in California will be held in office CA-970 for the benefit of the Regions and the State Office. For FY 2001, charge codes for PCS moves must use one of the Managing the program elements, e.g., PA through PH. In planning PCS move cost needs for positions below the GS-13 grade level, each Region/State Office should consider the potential costs associated with the home buyout program, which could be significant, and Bureau policy of issuing a STAR award in the amount of \$2,500 to an employee who is successful in selling their home and avoiding the buyout program.

Bureau-wide Fixed Costs

Note that funds for unemployment insurance, workman's compensation, Departmental working capital

fund, and postage will be allocated to the states in FY 2001. California will place this funding in office CA-990.

Statewide Accounts

For FY 2001, building lease funds will again be in the 1830 subactivity and distributed to each Field Office and the State Office. Statewide telephone and utility funds will be held centrally in office CA-990. Some statewide funding may be held temporarily in office CA-990 pending distribution to appropriate offices. The emphasis in FY 2001 will be to minimize funding held centrally in CA-990 consistent with the decision of the California Budget Strategy Team.

0777 - Program Support Costs

The 0777 subactivity may only be used for program support costs that are described in the Sustaining the Organization (X) program element data sheets. Therefore, only "X" program element codes may be used with subactivity 0777. No other program element codes may be used with 0777. Said another way, all 0777 subactivity funding must be charged against an "X" code.

Subactivity funding that may be charged against an "X" program element is not limited to 0777. The 1810, 1820, 1830, and 4550 subactivities are the only *other* fund sources that may also be charged against the "X" codes. However, unlike 0777, other program elements other than "X" codes can be used with the 1810, 1820, 1830 and 4550 subactivities. All other subactivities are excluded from using "X" codes with the exception that capitalized equipment for IT costs may use program elements "XA" through "XF".

Please note that two "X" program elements were dropped for FY 2001: XQ - Communication and External Affairs, and XU - Provide General Administrative Support. Costs that were previously charged to XQ must now be coded against either an appropriate program element with an output or to the Outreach and Customer Services (A) program elements. Costs that were previously charged against XU must now be charged to either an appropriate program element with an output, an appropriate "X" program element (required if the employee is funded in subactivity 0777), or one of the Managing Work (P) program elements.

Although the Washington Office guidance allows an exception for IT work, in California the 0777 subactivity will be limited to operational fixed costs at the Field Office level. *No labor at the Field Office level is to be charged to 0777.* Adjustments (increases) to base funding in the MLR subactivities for each Region were made to replace that portion of their 0777 base funding targets for labor not covered by 1820 base funding.

In assessing the pro rata share of 0777 for each subactivity, California chose to use the "Base Funding" approach described in the Washington Office guidance. However, California excluded the Fire Preparedness (subactivity 2810) in the formula calculation because of the expected large increases in the fire management program for FY 2001. As was done last year, California will address 2810 separately and follow Washington Office guidance by limiting program support charges against this subactivity to no more than 10 per cent of the statewide 2810 cost target. This will be accomplished by taking 6% at the State Office level, and allowing the Regions to take 4% of their cost target.

Any questions concerning the guidance provided in this memorandum can be directed to either Richard Learned at 916-978-4515 or Rob Nauert at 916-978-4508.

Signed
Roger Bruckner
Acting State Director

Authenticated
Liza Raymundo
Records Management

Attachment - WO IM No. 2001-009, Change 1 (9pp)

WASHINGTON, D.C. 20240

October 27, 2000

In Reply Refer To:
1680 (880)P

EMS TRANSMISSION 10/30/2000
Instruction Memorandum No. **2001-009, Change 1**
Expires: 09/30/2002

To: All WO and Field Officials

From: Budget Officer

Subject: Fiscal Year (FY) 2001 Budget Execution Guidance **DD: 11/17/2000**

Program Area: Annual Work Plan Guidance for FY 2001

Purpose: This Instruction Memorandum (IM) provides advanced budget execution guidance for FY 2001 for managing leave surcharge, Permanent Change of Station moves, Bureau wide and Statewide accounts, and Subactivity 0777 policy and procedures.

Policy/Action: The attached guidance has Bureau wide policy statements and procedures for FY 2001 Budget Execution.

Timeframe: This IM is effective upon receipt and will be in effect until FY 2002, unless modified formally.

Budget Impact: The IM has been developed to minimize the impacts to the field and to provide as much flexibility as possible while at the same time improving the Bureau of Land Management's ability to plan and collect accurate useable cost management data for management use.

Background: The IM is traditionally provided with the preliminary Annual Work Plan (AWP) directives. The IM is being sent separately to provide the policy and guidance to the field ahead of the AWP Directives. The guidance will also be included in the FY 2001 AWP Directives.

Manual/Handbook Sections Affected: There are no manual sections revised due to this guidance.

Coordination: The IM was developed with input from a field team and reflects many of the recommendations discussed in two State Office conference calls.

Contact: Questions may be referred to Rob Roudabush, at (202) 452-7716, Betty Buxton, at (202) 452-5181 or myself, at (202) 452-7745.

Signed by:
Brenda M. Adams
Acting Budget Officer

Authenticated by:
Barbara J. Brown
Policy & Records Group, WO-560

1 Attachment
1 - The guidance document (7 pp)

Directives forwarded to State Director, CA-940, CA-944, Budget Group on 10/30/00

BUDGET EXECUTION AND ACCOUNTING
Labor/leave surcharge; Permanent Change of Station Moves; Bureau wide Fixed Costs; Statewide Accounts; and Program Support Costs

Introduction

The Chief Financial Officers Act, the Government Performance and Results Act, and the Federal Financial Management Improvement Act provide the statutory foundation requiring Bureau of Land Management (BLM) to account for the full cost of managing public lands and conducting business activities. Public mandates for accountability and better program management, as well as congressional requirements to develop better methods for understanding the cost of conducting business, have caused the BLM to rethink and restructure the way we provide goods and services. The BLM has been working on many areas to help us meet these mandates. One area is the development of program elements to better understand the cost of accomplishing work. Another area is an allocation process for distributing indirect support cost to the offices where the work is accomplished and the program elements (PE) where the cost of accomplishments are measured.

The BLM procedures for managing leave surcharge, Permanent Change of Station (PCS) moves, Bureau wide and Statewide Accounts, and Program Support Costs (0777) provided below are applicable to all States and Field Offices, Centers, and National organizations. As you will see, more emphasis is being placed on increasing our ability to direct charge whenever appropriate. Because Oregon and California Grant Lands do not have an Administrative Support Activity, the Washington Office (WO) will work separately with Oregon to supplement this guidance.

Labor including Leave Surcharge

The Bureau wide leave surcharge rate for FY 2001 is 20 percent as calculated from FY 2000 actual labor costs. Each time an office charges labor the financial system will add the 20 percent leave surcharge cost to that subactivity and PEs and set it aside to cover the cost of annual and sick leave, lump sum retirement payments, and other personnel benefits. The leave surcharge will be treated as a cost to the State/Office/Subactivity/PE. As leave or personnel benefits charges occur they will be recorded against the leave surcharge holding funds. The National Business Center (NBC) will monitor the leave account on a Bureau wide basis, throughout the year, and make adjustments to the leave surcharge rate as necessary to cover the cost of leave and other personnel benefit expenditures.

When the WO provides each State and Center their FY 2001 subactivity cost target, it will contain all of the available funds to cover labor, including leave surcharge; procurement/contracting; and equipment. Each State and Field Office will be required to manage their subactivity cost target and not over spend. States may calculate their work months or labor needs including leave surcharge in the way that is most appropriate for their circumstances. The

WO will provide Bureau wide feedback on leave surcharge at mid-year and 3rd quarter reviews. In order to find out what has been spent against State/Field Office leave surcharge by the “BOC” option within Financial Management Information System (FMIS) can be used. The applicable object classes that needs to be reviewed are:

- 111G - FTP leave assessment
- 113G - OTP leave assessment
- 115G - Other Comp leave assessment
- 121G - Personnel Benefits leave assessment

PCS Moves

The Bureau wide PCS funds will continue to be held in the WO for moves that are GS 12/13 and above. Funds for this holding account will be obtained from an assessment for each program, based on labor use in FY 2000. On a Bureau wide personnel basis, this pro-rated assessment will be equitable and reflect the benefitting activity. As States identify their PCS move needs and estimate their costs, the NBC will set up a unique project code to track actual costs by employee. The WO will transfer funds to the States to cover the expenditures on a quarterly basis until the 4th quarter at which time the transfer will be monthly. It is likely that as the end-of-the-year approaches, the subactivity funds transferred to the State for specific moves may not exactly match the benefitting subactivity needs for that position; however, on a long term Bureau wide basis, the benefitting subactivity concept should be reflected. States and Centers will still be required to cover the costs for PCS moves for GS-12's and below. States should manage their PCS funding for all PCS moves using office code 970. An allocation tool outside of Federal Financial System (FFS) will be used to distribute these expenditures to organizations at the end of the year. The PEs for Managing the Work (P) should be used for PCS moves and thus they will be spread to outputs quarterly.

Bureau wide Fixed Costs

The Bureau wide fixed costs include the Federal building fund, unemployment insurance, works compensation, Departmental working capital fund, postage, and telecommunications. In the past these costs have been paid centrally, except for the Federal building fund which was allocated to the States and Centers in FY 2000. In FY 2001, funds for unemployment insurance, works compensation, Departmental working capital fund, and postage will all be allocated out to the States. The funds should be placed in a 990 organization code. If a State chooses to use another organizational code they must contact Betty Buxton, so the WO can identify the charge code. As bills come in they will be paid centrally. Costs will be recorded to each State's 990 organization code by WO on a prorated share, based upon labor costs.

Federal Telecommunications Systems (FTS) costs will still be processed through a central fund in FY 2001. The goal is to provide planning targets in FY 2002 to cover these costs based on actual use in FY 2001. An allocation tool outside of FMIS will be used at the end-of-the-fiscal-year to arrive at individual State costs for FY 2001.

Although FFS and Federal Personnel and Payroll System (FPPS) are funded from the benefitting subactivity concept, these costs are managed as Bureau wide indirect fixed costs. The cost targets and subsequent costs will be allocated and charged to NBC and NHRMC respectively. These costs will be charged to (X) PEs.

Statewide Offices/Accounts

In FY 2001 Statewide accounts will be managed as follows:

1. Centralized funding of Statewide items for ease of payments, such as office space will be transferred to the operating budget of the Field Offices that benefit from the expenditure at the beginning of the fiscal year. Bills can still be paid centrally by NBC, using the appropriate Field Office fund codes. This is no change from FY 2000.
2. Field Office centralized funding of Statewide items that can not be identified until the demand is known, such as, employee assistance programs, Information Technology (IT) replacement and maintenance, IT capitalized equipment, etc., can be placed in a Statewide holding account for planning. Expenditures should be made against this account. The WO will spread all of the X PE costs in the quarterly allocation process. The IT capitalized equipment must be charged against the benefitting activity.
3. Student Career Experience Program funds may be planned at the State Office, but the funds must be allocated to the receiving office once it is known.
4. Consolidated telephone, utility, and Federal Express bills will be held centrally under State Office organizational code (990) and paid by the Business Center to meet prompt payment requirements. These costs will be distributed at the end-of-the-year when (X) PEs are distributed using the Management Information System (MIS) tool. Under the current billing system, there is no way of determining what portion of the bills are applicable to each geographic area, therefore a MIS distribution tool is needed.
5. Shared State Office operations expenditures such as office equipment rental and /or maintenance, office supplies, mail, postage, and shared State Office vehicles, etc., should be funded out of subactivity 1810, 1820, 1830, 6400, 4550, or 0777 and charged to (X) PEs. Dollars will be distributed in 0777 and/or when (X) PEs are distributed.

0777 - Program Support Costs

The Statement of Federal Financial Accounting Standards (SFFAS) requires BLM to separate direct costs (costs which can be specifically or readily identified with producing a specific product or service) from indirect costs (costs which can not be specifically identified with producing specific products or services, but can be shown to bear a relationship to results or be in support of the products or services). Additionally SFFAS requires the BLM to spread these indirect costs to

the direct costs of output program elements in order to determine the full cost of producing specific products or services. BLM has described its indirect costs as those items funded in Workforce And Organizational Support (1800/6400) and Land and Resource Information Systems (4550) activity/subactivity. Because the amount of funding in these three activities are insufficient to cover all of our required indirect costs, BLM has supplemented these indirect costs with program funds using the Program Support Cost (0777) subactivity. To further help determine BLM's true indirect costs, the (X) PEs were developed.

In order to collect BLM's indirect costs the following policies are in place:

- ! It is the policy of the BLM to limit expenditures of subactivity 0777 to costs described under the Sustaining the Organization (X) PEs.**
- ! Subactivity 0777 should only be used to supplement the shortfalls in Workforce And Organizational Support (1800/6400), and Land and Resource Information Systems (4550) activity and subactivity.**
- ! Other than capitalized equipment for IT costs, no activity/subactivity funds but 1800/6400/4550/0777 should be charged to X PEs"**

The financial management system will not lock out subactivities from being used with X PEs in FY 2001. Permanent Change of Station, Capitalized Equipment, Geographic Data Acquisition and Maintenance PE (BI) and Geographic Products and Services PE (HV) are not appropriate charges for 0777.

A review of the use of the activity/subactivities Program Support Cost (0777), Workforce And Organizational Support (1800/6400), Land and Resource Information Systems (4550), and the PEs Sustaining the Organization (X) suggest that throughout BLM the use of these subactivities and PEs are not clearly understood nor always used for the purpose and intent they were established. The evaluation shows that considerable expenditures were charged to (X), PEs and 0777 subactivities that should have been charged directly to PEs with outputs and other subactivities. It is very important for BLM to improve the way it separates direct from indirect costs. As a result, Field Teams were tasked with improving the PE descriptions for the (X) PEs and developing guidelines for the uses of 0777 in FY 2001. The guidelines are summarized below:

- It is necessary for all administrative support staff to become familiar with the (X) program element descriptions.
- Two (X) PEs were dropped for FY 2001: Communication and External Affairs - (XQ) and Provide General Administrative Support - (XU). For (XQ) these cost should be charged directly to PEs with outputs or to the Outreach and Customer Services (A) PEs. Public Affairs may not be planned nor charge to 0777 subactivity. For (XU) almost all of this work can be charged directly to PEs with outputs. The remainder of the expenditures that do not fit other (X) PEs should be charged to the Managing Work (P) PEs.

- At the Field Office level, 0777 subactivity should be limited to non-labor fixed costs defined under the (X) PE descriptions. The exception to this policy is that labor for IT work (XA) through (XF) may be charged to 0777 at the Field Office level. This may require State Offices to provide additional 1820 funds to Field Offices.
- Field managers, administrative staff and personnel, procurement, and contracting staff should plan to direct charge as much of their work to subactivities and PEs as possible to reflect the program they are supporting. For example, a contract for deferred or annual maintenance should be charged to subactivities 1653 or 1652 and the appropriate PE.
- Field managers should charge their work to the subactivities and PEs that represent the work they do. When outputs can not be accurately identified, Field managers and support staff should use (A) or (P) PEs, whichever best represent the work they performed.
- The program support charges to Fire Preparedness (subactivity 2810) will be limited to no more than 10 percent of the statewide 2810 cost target.

State Offices should also plan, to the best of their ability, to direct charge to PEs (A through P) as much work as possible. There are no restrictions on use of labor for 0777 in the State Office other than to adhere to the definitions in the X PE data sheets. You should, however, use subactivities and A through P PEs whenever possible. The State Offices will have to calculate their 0777 funding needs once the Field Offices have been funded, the direct charges for the State Office have been planned, and the 1800/6400/4550 funding has been spread. The 0777 needs would, then be determined to cover any shortfall in available indirect support funding. The WO and Centers must take a very similar approach to 0777 as the State Offices.

The following procedure should be used for assessing each subactivities share of 0777.

- In order to determine your 0777 assessment needs you may either use actual labor used in FY 2000 or “Base Funding” provided for FY 2001, which ever is a more accurate method for obtaining your assessment percentages. If you use base funding, you should add up the total office “base” funding level for each subactivity to get an office total. (Excluding all flexible/one-time/central funding.) See Table. If you choose the labor basis the methodology is the same as used for FY 2000.
- For the “Base Funding” method determine the percent each base amount in each subactivity represents of the total. (Exclude all subactivities less than ½ percent.)
- Apply this percent to the total office 0777 program support shortfall. Minor adjustments to the standard percentage is allowable to address local concerns.
- Reduce each corresponding subactivity by its 0777 assessment.
- Store all of the 0777 funds in shadow office 880/890.

- Fill out table and send it to the NBC, BC 640, by 11/17/00.
- During 3rd quarter review in FY 2001 we will seek feedback of whether labor or base funding provided better information for determining the 0777 subactivity assessment percentages. Based on this analysis BLM will choose one methodology for consistency.

0777 FFS Allocation

Through several discussions with NBC and the State Offices, there will be a change in the nightly allocation process of 0777 in FY 2001. Starting in FY 2001, NBC will run nightly allocations of 0777 to the subactivity and Statewide Office (8XX) only, not to the PE as in FY 2000. The nightly allocation will provide real time accurate information at the subactivity level for planning and management purposes. This will help correct most of the confusion that occurred in FY 2000.

However, WO will periodically (at least quarterly) provide MIS reports that show the allocation of indirect costs (1800/6400/4550/0777) to PEs with outputs. In other words, the MIS will contain detailed accounting transactions directly from FFS in the FMIS. The MIS will also contain in the cost management application reports that show the FMIS data with the allocation of each aspect of our indirect costs. These cost reports will also show the allocation of the (A_) Outreach and Customer Services and (P_) Managing Work PEs to output PEs.

The BLM must continue to pursue the goal of maximizing the direct cost of outputs to PEs. During FY 2001, BLM will actively seek out ways to substantially reduce the level of Bureau wide and Statewide costs that are allocated. All organizational levels must work diligently to direct charge as much work as possible and to properly use (X) PEs in accordance with the description in the data sheets. Charging costs to 0777, and/or X PEs, because it is easier to plan is not acceptable.

Office _____ Program Support Cost Percentage

Subactivity Number	Subactivity Name	Base Planning Target for FY 2000	Percent of Total
1010	Soil, Water, & Air Management	1	1
1020	Range Management		0
1030	Forestry Management		0
1040	Riparian Management		0
1050	Cultural Resources Management		0
1060	Wild Horses & Burros		0
1110	Wildlife Management		0
1120	Fisheries Management		0
1150	Threatened & Endangered Species		0
1210	Wilderness Management		0
1220	Recreation Resources Management		0
1310	Oil and Gas		0
1320	Coal Management		0
1330	Other Mineral Resources		0
1380	Alaska Minerals		0
1410	Alaska Conveyance		0
1420	Cadastral Survey		0
1430	Land and Realty Management		0
1610	Resource Management Planning		0
1651	Operations		0
1652	Annual Maintenance		0
1630	Res. Protection & Law Enforcement		0
1640	Hazardous Materials Management		0
1990	Mining Law Administration		0
2810	Fire Preparedness		0
3130	Acquisition Management		0
5810	Forestry Pipeline Restoration Fund		0
6251	O&C Operations		0
6252	O&C Annual Maintenance		0
6310	O&C Forest Management		0
6320	O&C Reforestation & Forest Dev.		0
6331	O&C Range		0
6332	O&C Recreation		0
6333	O&C Soil, Water, Air		0
6334	O&C Wildlife Habitat		0
6350	O&C Resource Mgmt. Planning		0
6650	O&C Jobs in the Woods		0
Total		1	100