



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

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To: Assistant Secretaries
Heads of Bureaus and Offices
Solicitor

From: Rhea Suh *Rhea Suh*
Assistant Secretary for Policy, Management and Budget

Subject: Guidance on Awards for Fiscal Year 2014 for Non SES/SL/ST Employees

On November 1, 2013, the Office of Management and Budget (OMB) and Office of Personnel Management (OPM) issued guidance on awards for fiscal year 2014 (see Attachment 1). With the issuance of this guidance, the freeze on awards implemented as part of sequester implementation has been lifted. The guidance reinstates the aggregate spending caps on agency award spending that was instituted for FY 2011 and FY 2012. Interior bureaus and offices can now proceed with planning and execution of FY 2014 performance awards for non SES/SL/ST employees based upon the guidance outlined in this memorandum. Separate guidance will be issued on awards for SES/SL/ST employees.

Guidance

- **Award spending should be limited to no more than 0.92 percent of total aggregate salaries for non-SES/SL/ST performance awards plus individual contribution awards (e.g., special act, or spot).** Since the full FY 2014 funding levels are not known at this time, the 0.92 percent target incorporates a sequester reduction of 8% which is consistent with the FY 2014 bureau and office sequestration implementation plans. Final FY 2014 award spending targets will be provided after final FY 2014 funding levels are known. Award spending may not exceed FY 2012 spending levels.
- **Time off awards are not capped but bureaus and offices should be judicious in their use.** The OMB and OPM guidance does not require caps on time-off awards since they are not direct monetary expenditures and are not included in the award spending caps. However, bureaus and offices should continue to use time-off awards judiciously as they do represent a cost to the agency.
- **Bureaus and offices are encouraged to leverage existing award programs to reward employees who identify improvements that result in documented, validated cost savings and productivity improvements.** An emphasis on awards of this nature is particularly important in light of the fiscal challenges the Federal Government is currently experiencing. Funding for group awards or suggestion/invention awards are frozen at FY 2010 spending levels.
- **Spending on incentives or Quality Step Increases may not exceed FY 2010 levels.** Spending on recruitment, relocation and retention incentives should not exceed FY 2010 levels. Additionally, spending on Quality Step Increases should not exceed FY 2010

spending levels. Bureaus and Offices should be cautious in awarding these payments until final funding levels for FY 2014 are determined.

- **The freeze on discretionary awards, bonuses and similar payments for political appointees continues to remain in effect.**

As bureaus and offices move forward in implementing this guidance, bureaus and offices should discuss their award programs in labor-management forums and should honor all collective bargaining obligations and agreements prior to implementation.

Questions on this guidance should be directed to Mary Pletcher, Acting Deputy Assistant Secretary for Human Capital and Diversity (mary_pletcher@ios.doi.gov, 202-208-4505).

Attachment: OMB/OPM Guidance on FY 2014 Awards.

cc: Bureau and Office Deputy Directors
Chiefs of Staff
Human Capital Officers
Human Resource Directors



U.S. Office of
Personnel Management

U.S. Office of
Management & Budget



M-14-02

November 1, 2013

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: SYLVIA M. BURWELL *S. M. Burwell*
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

ELAINE KAPLAN *E. Kaplan*
ACTING DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Guidance on Awards for Fiscal Year 2014

In keeping with the need to manage budget resources carefully, the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) are issuing this memorandum to establish budgetary limits on awards paid during Fiscal Year (FY) 2014. This memorandum provides guidance applicable to all departments and agencies (referred to collectively as agencies) and supersedes the guidance provided to agencies on discretionary monetary awards that was included in OMB Memoranda on sequester implementation, M-13-05 (February 2013) and M-13-11 (April 2013).

In exercising their discretion in this area, agencies should discuss their agency award programs in agency labor-management forums and should honor all collective bargaining obligations and agreements prior to implementation.

Budgetary Limitations for Awards Granted during FY 2014

Given the current fiscal environment and the budget constraints agencies will operate under in FY 2014, it is critical that agencies' use of performance awards be managed in a manner that is cost-effective and leads to increased employee performance and organizational results.

Consistent with the June 2011 guidance that placed aggregate spending caps on agency award spending for FYs 2011 and 2012, agencies must limit total spending on individual performance awards for career members of the Senior Executive Service (SES)¹ and senior-level and

¹ OPM's position, with which OMB and the Department of Justice concur, is that SES performance awards are statutorily required because the statute providing for such awards specifies that "To encourage excellence in performance by career appointees, such awards shall be paid...." 5 U.S.C. 5384. Agencies may, however, take budgetary considerations into account when deciding on the number and amount of awards to be provided, as long as regulatory and statutory requirements are met. Among those requirements is that the amount of any performance award that an agency ultimately decides to provide under section 5384 may not be less than five percent of the employee's rate of basic pay.

scientific and professional (SL/ST) employees to no more than five percent of their respective aggregate salaries. Agencies must also limit award spending to no more than one percent of total aggregate salaries for non-SES/SL/ST performance awards plus individual contribution awards (e.g., special act, or spot) for all employees. In addition, agencies may not exceed FY 2012 spending levels on either category of awards. These award spending targets apply for awards paid during FY 2014. OPM and OMB will monitor awards data that agencies provide to OPM under the agencies' regular reporting procedures.

In addition, if overall Governmentwide discretionary funding levels are reduced below the discretionary spending caps set forth in the Budget Control Act (the BCA) of 2011 (Public Law 112-25), each agency shall further reduce awards spending pools for SES and non-SES by an amount proportional to the Governmentwide reduction made from the original BCA discretionary spending cap, as determined by OMB.

As final FY 2014 appropriations are not known at this time, agencies should not spend at a rate that would preclude them from meeting these overall award spending targets by the end of the fiscal year. Agencies are encouraged to be prudent in their awards spending.

These budgetary limitations do not apply to political appointees. The President's August 3, 2010 memorandum freezing discretionary awards, bonuses, and similar payments for political appointees continues in effect until further notice. Agencies should continue to apply this freeze in accordance with OPM's guidance at <http://www.chcoc.gov/Transmittals/TransmittalDetails.aspx?TransmittalID=3060>.

Covered Awards and Agencies

The budgetary limits specified in this memorandum apply to spending for individual monetary awards only, which include rating-based performance awards and individual special act awards. Other awards and incentives, such as group awards, referral bonuses, or suggestion/invention awards, are frozen at FY 2010 spending levels, except travel savings and foreign language awards. Time-off awards are not direct monetary expenditures and are not included in the one percent limit; however, agencies should continue to use time-off awards judiciously as they do represent a cost to the agency. Agencies are encouraged to leverage existing award programs to reward employees who identify improvements that result in documented, validated cost savings and productivity improvements. An emphasis on awards of this nature is particularly important in light of the fiscal challenges the Federal Government is currently experiencing.

Recruitment, relocation, and retention incentives are not awards and are not covered by the budgetary limits. However, agencies should ensure that spending on these incentives in calendar year 2014 does not exceed calendar year 2010 levels. The quality step increase for General Schedule employees is another category of rating-based payment that does not constitute an award under this guidance. These payments are not covered by the one percent budgetary limit; however, agencies may not exceed their FY 2010 spending levels on quality step increases granted during FY 2014. Agencies should be cautious in awarding these payments until final funding levels for FY 2014 are determined.

The budgetary limits specified in this memorandum apply to all Executive branch agencies for all members of the SES as well as non-SES civilian employees, including SL/ST, wage grade and others. Agencies retain the flexibility, however, to apply these budgetary limits to awards programs for their employees to accommodate current budget constraints, provided that those flexibilities meet all legal requirements and agency contractual obligations.

Effective Date

The budgetary limits specified in this memorandum take effect for awards with effective dates during FY 2014. These awards limits and this policy shall remain in effect until further notice.

Additional Information

Agency Chief Human Capital Officers and/or Human Resources Directors should contact Stephen T. Shih, Deputy Associate Director for Senior Executive Services and Performance Management, in OPM's Employee Services, at (202) 606-8046 or performance-management@opm.gov, if they have any questions regarding this policy. Employees should contact their agency human resources offices for assistance.

cc: Chief Human Capital Officers
Human Resources Directors