Funding Playbook for Shared Services

Initial Baseline Version 1.0 – Quality Service Management Offices (QSMO)

Shared Services

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Background

In 2019, the Office of Management and Budget (OMB) released OMB-M-19-16, and subsequently established Quality Services Management Offices (QSMOs) in four target areas: (1) Cybersecurity, (2) Core Financial Management, (3) Grants Management, and (4) Civilian Human Resources Transactions. Since their inception, QSMO have made progress in planning and standing up operations in their designated areas.

A coordinated funding strategy, considerate of long-term goals and priorities, that draws on a well-understood toolbox of available funding mechanisms is a pillar in driving continued progress across the shared services ecosystem. This playbook guidance is intended to establish a baseline understanding of funding tools available to QSMO, but may also serve as a useful reference to agencies considering funding options for their own shared services journey. It is designed to do so in a way that appeals broadly to practitioners and stakeholders with varied experiences in navigating the federal budgetary ecosystem.

The playbook provides practical guidance to Quality Service Management Offices (QSMOs)[1] and their budget stakeholders in developing a funding strategy that will support the full lifecycle of a QSMO on their journey to establish, broker, and lead a marketplace of shared services that will be useful to agencies.

[1] More information about QSMOs can be found at: https://ussm.gsa.gov/qsmo/

QSMO Funding Current State

QSMOs identified opportunity areas for establishing guidance needed to implement a sustainable approach to funding day-to-day operations. This playbook takes aim at several objectives:

Supports a Long-Term Funding Journey
The playbook acknowledges that the lifecycle of a QSMO, from its Pre-Designation and Initial Stand-Up, through Marketplace Development, Implementation and On-Going Operations could require multiple funding approaches.

Coordinates Funding Strategies and Best Practices
Sharing best practices and lessons learned in funding approaches used across the mission support services ecosystem will improve the likelihood success in advancing progress on shared services initiatives.

Improved Legislative Engagement Strategy
Common knowledge of funding strategies and mechanisms can inform the coordination of a legislative engagement strategy, designed to help external stakeholders understand the potential value of QSMOs in brokering a high performing mission support services marketplace that serves customer agencies well.

Consistent Application of Funding Mechanisms
QSMOs can take a consistent approach, where it makes sense to do so, in overcoming funding challenges by exploring and implementing funding mechanisms based on their operational level of maturity.

The Playbook

This playbook includes five plays. Each play includes:

- A brief introduction;
- Key questions;
- Anticipated outcomes; and
- A checklist of activities.

These areas were developed to assist QSMOs in their journey to establish and execute a sustainable long-term funding strategy.

The five plays are not prescriptive. Instead, they serve as a framework to provide QSMOs with helpful information that can be used to develop and execute a funding strategy while supporting the flexibility needed to adapt to their individual facts and circumstances.

1 **Play 1: Assess Your Initial Funding Needs**

2 **Play 2: Understand the QSMO Funding Lifecycle**

3 **Play 3: Explore Your Funding Mechanisms**

4 **Play 4: Align Your Funding Strategy**

5 **Play 5: Develop Your Legislative Strategy**

1

Assess Your Initial Funding Needs

Objective

Assess and identify the short-term funding required to sustain QSMO operations throughout the pre-designation and initial start-up phase.

Key Considerations

QSMO funding strategies are fluid – the strategy must meet the needs of today but be flexible enough to adapt to changes in long-term operational needs.

To inform the funding strategy, the QSMO should first identify its short-term operating costs and project how those costs may change in the future.

Developing the right relationships with the right budgetary stakeholders is critical to any QSMOs success – key stakeholders include:

- QSMO's internal agency budget team
- Office of Shared Solutions and Performance Improvement (OSSPI)
- QSMOs designated OMB Resource Management Offices (RMOs)

1 Assess Your Initial Funding Needs

The following slides outline the **Key Questions, Expected Outcomes, and Checklist** of activities that the QSMO should consider as it is assessing the organization's short and long-term funding needs.

Key Questions

- Who is the QSMO's funding "champion"?
- How will the QSMO fund its current operations?
- At what level is the QSMO currently funded?
- Does the QSMO have the funding needed to meet its immediate operational needs?
- What funding mechanisms does the organization have access to (i.e., revolving fund, franchise fund, etc.)?
- Does the QSMO have legal authority to assess fees for its services? How does the organization plan to recoup funds in the future?
- How do you assess the effectiveness of the funding strategy?
- What lessons learned or success stories can be leveraged from other QSMOs or relevant stakeholders?

Expected Outcomes

Makes the funding strategy an organizational priority from the outset of planning and operations

Aligns the organization's strategic and operational vision to the funding strategy

Coordinates proactive and on-going planning for future funding needs

Establishes open lines of communication with key internal and external budgetary stakeholders

An understanding of the inputs QSMOs must provide as part of the parent agency budget formulation process

Documents the current operational costs, funding needs, and notional long-term funding strategy

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1 Assess Your Initial Funding Needs

Checklist

❑ Engage OSSPI to assist in identifying "funding champions" from both the QSMO's internal agency budget team as well as external budgetary points of contact (i.e., OMB RMOs). "Funding champions" can be thought of as long-term partners who will help shape the QSMO funding strategy and solicit buy-in from approving authorities. OSSPI will help facilitate introductions, on-going engagement, and provide guidance, as requested by the QSMOs.

❑ Understand the activities, requirements, and funding needed to successfully satisfy the requirements laid out in the QSMO pre-designation process.

❑ Initiate planning and analysis of the key foundational elements that will inform a business plan and long-term funding strategy. This can be thought of as a first draft of the QSMO funding strategy that will be refined over the life of the organization – these key elements can include:

- An understanding of the current, short-term operational costs and an assessment of whether the existing funding levels are sufficient to meet those needs;

- Potential risks and their accompanying mitigation strategies related to existing funding needs;

- Short-term strategies to overcome any identified funding deficiencies; and

- An initial overview of roles and responsibilities for all key stakeholders associated with the funding strategy – includes relevant stakeholders from OSSPI, OMB, the QSMO, and parent agency.

❑ Socialize the foundational funding strategy elements with relevant stakeholders – including internal agency leadership, OMB, OSSPI, and even the other QSMOs - refine the strategy based on the feedback received.

2

Understand the QSMO Funding Lifecycle

Objective

Explore the QSMO Funding Lifecycle (slide 10) and the funding mechanisms available to the QSMO based on its current and future operational needs.

Key Considerations

Once a QSMO has defined its initial funding needs, the focus should shift towards identifying a long-term, sustainable funding strategy.

QSMOs should consider each phase of the QSMO Funding Lifecycle and the optimal funding mechanism available within each phase.

Slide 10 includes a mapping of common funding mechanisms that should be considered in each phase, but it is not prescriptive.

The lifecycle is a starting point for QSMOs to begin exploring which mechanisms may be appropriate based on their operational maturity across the five phases.

Each QSMO should work with their parent agency budget team to understand which of the funding mechanisms might be available, pending any legal, operational, or regulatory limitations specific to each QSMO's parent agency.

The QSMO Funding Lifecycle

QSMO Pre Designation & Initial Start Up		Marketplace Development	Solution Adoption & Implementation	On-Going Operations
Analyze Customer Needs	**Design Solution & Engage Providers**	**Deploy & Market Solutions**	**Facilitate Solution Delivery**	**Monitor & Improve Solutions**
• Evaluate Policies & Requirements • Analyze Operating Environment • Identify Customer Needs • Document Findings & Requirements	• Design Possible Solutions & Operating Model • Communicate Requirements to Providers & Collect Feedback • Conduct Acquisitions & Select Providers • Design Solutions Against Federal Standards	• Market Solutions To Agencies • Conduct Marketplace Discovery • Establish Solution Agreements with Customers	• Configure Solutions for Customers • Deliver Solutions Against Customer Requirements • Operationalize Solutions & Execute Delivery	• Collect Data, Analyze, & Monitor Solution Performance • Manage Marketplace Providers • Continuous Performance Monitoring & Improvement

Potential Funding Mechanisms

• Annual Direct Appropriations • Reprogramming Appropriations	• Annual Direct Appropriations • Reprogramming Appropriations	• Annual Direct, Supplemental, Reprogramming Appropriations • Technology Modernization Fund • Working Capital Fund • Franchise Fund • Cross-Agency (LoB) Funding	• Annual Direct, Supplemental, Reprogramming Appropriations • Technology Modernization Fund • Working Capital Fund • Franchise Fund • Cross-Agency (LoB) Funding • Fee Funded Structure	• Annual Direct, Supplemental, Reprogramming Appropriations • Technology Modernization Fund • Working Capital Fund • Franchise Fund • Cross-Agency (LoB) Funding • Fee Funded Structure

-Draft For Discussion Purposes -

2 Understand the QSMO Funding Lifecycle

The following slides outline the **Key Questions, Expected Outcomes, and Checklist** of activities that the QSMO should consider as it is works to understand the QSMO Funding Lifecycle.

Key Questions

- What are the phases of the QSMO Funding Lifecycle?
- What are the funding mechanisms and resources available to QSMOs across each phase?
- What is the QSMO's current funding strategy and structure?
- How might the QSMO's funding strategy and structure change as it navigates each phase of the funding lifecycle?
- What funding mechanism from the QSMO lifecycle would be potential candidates for future use?
- Should multiple funding mechanisms be used?

Expected Outcomes

Establishes a common funding journey, with recommended activities and funding mechanisms to be used for planning purposes across the QSMO ecosystem

Provides a framework for QSMOs to identify and develop a notional long-term funding strategy

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Checklist

❑ Conduct an internal deep dive into the phases of the QSMO Funding Lifecycle to begin to develop an understanding of where the organization is today, and which funding mechanisms are available to meet the QSMO's needs.

❑ Continue to engage OMB RMOs to increase awareness of the QSMO's service and solution offerings (both existing and planned). The goal of this engagement should be to make the RMO a proponent for QSMO service and solution offerings to help drive business towards QSMOs through on-going engagement with their assigned customer agency(s).

❑ Engage with other QSMOs, OSSPI, OMB, and other relevant stakeholders to explore success stories and lessons learned in their funding strategy journeys.

❑ Using the foundational funding strategy elements identified in the previous play, develop a notional long-term funding strategy. The strategy is intended to be a living document, updated as the QSMO's funding and operational needs evolve – key elements of the strategy can include:

  • Anticipated funding levels needed to meet strategic and operational needs over the next one-, three-, and five-year timeframes;

  • Develop a notional list of funding mechanisms that the QSMO will leverage to meet its needs;

  • Update the list of risks and their accompanying mitigation strategies identified in the previous play; and

  • Refined list of roles and responsibilities for all key stakeholders associated with the funding strategy – includes relevant stakeholders from the OSSPI, OMB, the QSMO, and parent agency.

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3

Explore Your Funding Mechanisms

Objective

Conduct a deep dive on the funding mechanisms available to the QSMO and assess which mechanisms may inform the organization's long-term funding strategy.

Key Considerations

Focus shifts to identifying specific funding mechanisms available to help meet QSMOs long-term operational needs.

A QSMO's strategy may change based on operational maturity, and with that, the available mechanisms used to fund operations.

An inventory of funding mechanisms are detailed beginning on slide 16 – it could be said that each approach to funding has its own set of considerations around intended use, timing, features, pros/cons, and implementation strategy.

As QSMOs assess each funding mechanism, they should leverage relationships with their budget stakeholders (OMB RMO, Agency Budget Analysts, Agency OCFO and OGC, etc.) to understand which of the funding mechanisms might be available, pending legal, operational, or regulatory limitations specific to each QSMO's parent agency.

3 Explore Your Funding Mechanisms

The following slides outline the **Key Questions, Expected Outcomes, and Checklist** of activities that the QSMO should consider as it explores the funding mechanisms available to sustain operations.

Key Questions

- How can organizations leverage funding internally?
- Which funding mechanisms are available?
- What's the best way to secure funding?
- What are the roadblocks to getting funding?
- Who do we need to engage to access the additional funding mechanisms?
- When do we need to engage relevant stakeholders for each funding mechanism?
- Have other QSMOs leveraged the funding mechanisms?
- Should multiple funding mechanisms be considered to meet my needs?

Expected Outcomes

Achieves an understanding of different funding mechanisms available for QSMO operations

Coordinates alignment to organizations operational strategy

Provides examples of additional organizations with success using each funding mechanism

Establishes an understanding of the advantages and disadvantages of each funding type

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3 Explore Your Funding Mechanisms

Checklist

❑ Coordinate with key internal budget stakeholders to determine which funding mechanism is most suitable for your QSMO. Multiple funding mechanism may be suitable depending on the stage of QSMO maturity:

- Does the organization have excess appropriations funding that can be reprogrammed?

- Does the organization have an intragovernmental revolving fund or a relationship with agencies that do?

- Does the QSMO organization have a technology modernization project?

- Is the QSMO organization at full maturity, where it's able to implement a fee structure for cost recovery?

❑ Connect with other agencies that have successfully implemented each funding strategy being considered.

❑ Begin planning for budgetary needs by defining and examining alternative strategies, analyzing changing conditions and trends, threats, technology, and economic assessments while considering the changes and long-term implications of current choices.

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Annual Direct Appropriations

Introduction & Key Stakeholders

Introduction: An Annual Direct Appropriation is a law passed by Congress that provides an agency with budget authority. An appropriation allows the agency to incur obligations and make payments from the U.S. Treasury for specified purposes. Appropriations are definite (a specific sum of money) or indefinite (an amount for "such sums as may be necessary").

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- Chief Financial Officer (CFO)
- OMB Examiner
- Congressional Appropriations Subcommittees
- Department of the Treasury

Intended Use

Intended Use: The QSMO will submit an appropriations budget request with the President's Budget annually to obtain spending authority. The process for this is as follows:
1. QSMOs submit budget requests to OMB for consideration as part of President's Budget.
2. Congress considers Budget and enacts funding laws.
3. OMB apportions funds provided by Congress.
4. As funds are apportioned, QSMO's can begin obligating requirements.

Benefits & Barriers

Benefits: Provides guaranteed funding for one year

Barriers: Subject to Congressional approval; expenditures must be spent on what they were budgeted for, unless reprogrammed; OMB may not apportion the entire appropriation at the beginning of the FY; A CR may have short-term impacts to funding levels. New appropriations (base or new) subject to agency reductions independent of OMB decisions

Funding Mechanism Features

QSMOs should leverage annual appropriations to fund their operations, regardless of maturity

QSMOs request annual appropriations each year in their annual budget submissions following the budget formulation process

In some cases, funding may be distributed throughout the fiscal year instead of a lump sum – it is imperative that QSMOs implement proper project planning

In the event of a continuing resolution (CR), QSMO's funding will be held at the prior year's funding level, with no new project starts

Success Stories

- Department of Homeland Security (DHS), Treasury, Health and Human Services (HHS), General Services Administration (GSA)

References

- OMB Circular No. A-11 (2021), Section 10.5; OMB Circular No. A-11 (2021), Section 20.3; GAO-05-734S A Glossary of Terms Used In The Federal Budget Process

Reprogramming Appropriations

Introduction & Key Stakeholders

Introduction: Reprogramming is the use of funds in an appropriations account for purposes other than those contemplated at the time of appropriation. When an agency reprograms funds, it is moving funds within an appropriation (i.e., from one "budget activity" to another).

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- Chief Financial Officer
- OMB Examiner
- Congressional Appropriations Subcommittees
- Department of the Treasury

Intended Use

Intended Use: Reprogramming requires transferring funds between organizations, programs within an appropriation, consistent with the statutory language of the appropriation. The process is as follows:

1. The QSMO will engage their internal executive leadership, CFO and Office of Financial Management with their budgetary spend plan requirements and requests.
2. The Office of Financial Management with work with all necessary RMOs to assess where reprogramming opportunities are presented.
3. The RMO and Financial offices will reprogram identified funding into the QSMO's program line items and track all reprogramming to ensure all informal reprogramming efforts are done below the threshold.

Benefits & Barriers

Benefits: Reprogramming is a funding option provided by Congress to help provide flexibility; Reprogramming can enable funding for modest initiatives not explicitly funded.

Barriers: Congress may limit the authority for agencies to reprogram funds; Reprogramming policies, procedures, and practices vary considerably among agencies; A CR may have short-term impacts to funding levels.

Funding Mechanism Features

QSMOs should leverage reprogramming in support of their start up activities during the pre-designation phase

Reprogramming requires coordination within the QSMO parent agency and the RMO

Some reprogramming actions require prior approval of Congressional Committees; however, most are internal or below the threshold for reprogramming

In the event of a continuing resolution (CR), QSMO's funding will be held at the prior year's funding level, with no new project starts

Success Stories

- Department of Homeland Security (DHS), Treasury, Health and Human Services (HHS), General Services Administration (GSA)

References

- OMB Circular No. A-11 (2021), Section 22.3; GAO-16-464SP, Principles of Federal Appropriations Law; GAO-05-734S A Glossary of Terms Used In The Federal Budget Process

Supplemental Appropriations

Introduction & Key Stakeholders

Introduction: Supplemental Appropriations provide additional budget authority in cases where the need for funds is too urgent to be postponed until enactment of the standard appropriations bill. Requests are submitted anticipating the need for supplemental authority only under exceptional circumstances as authorized by law.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- CFO
- OMB Examiner
- Congressional Appropriations Subcommittees

Intended Use

Intended Use: OMB advises agencies to make every effort to postpone actions that require supplemental appropriations. However, when requesting supplementals, agencies are required to provide proposals for reductions from other areas of the organization. Requests will only be considered when:
1. Existing law requires payments within the fiscal year (e.g., pensions and entitlements).
2. An unforeseen emergency occurs (e.g., natural disaster requiring expenditures for the preservation of life or property).
3. New legislation enacted after the submission of the annual budget requires additional funds within the fiscal year.
4. Increased workload is uncontrollable except by statutory change.
5. Liability accrues under the law, and it is in the Government's interest to liquidate the liability as soon as possible (e.g., claims on which interest is payable).

Funding Mechanism Features

Not suitable for most QSMO activities

Used to provide funding for unforeseen needs or emergency spending

These measures provide specific amounts of funding for individual accounts rather than funding based on a rate for operations (such as a Continuing Resolution)

Benefits & Barriers

Benefits: Funding can be provided outside of the standard appropriations cycle.

Barriers: Typically used for unforeseen needs; May receive a higher level of regulatory oversight.

Success Stories
- Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Emergency Security Supplemental Appropriations Act, 2021

References
- OMB Circular No. A-11 (2021), Section 22.3; GAO-16-464SP, Principles of Federal Appropriations Law; GAO-05-734S A Glossary of Terms Used In The Federal Budget Process

Working Capital Fund

Introduction & Key Stakeholders

Introduction: A Working Capital Fund (WCF) is a type of intragovernmental revolving fund that operates as a self-supporting entity that conducts a regular cycle of businesslike activities. These funds function entirely from the fees charged for the services, consistent with their statutory authority.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- CFO
- Contracting Officer
- Lending Agency Office of Financial Management

Intended Use

Intended Use: The QSMO agency will enter into an Interagency Agreement (IAA) with the external ordering agency for utilization of their established WCF and work with their Office of Financial Management for use of a WCF internal to their agency.
1. The QSMO will identify an agency with an established WCF within their scope of interest.
2. The QSMO will enter into a binding IAA with the external ordering agency which establishes the boundaries on the amount to be obligated.
3. If the WCF is internal to the QSMO agency they will engage their CFO and Office of Financial Management regarding use of the fund.
4. Once a binding agreement has been documented, the ordering agency incurs an obligation for the costs of the goods or services being provided.

Funding Mechanism Features

Establishing a WCF requires statutory authorization from Congress and may take years from the inception of the idea to implementation

Once QSMO reaches advanced stages of maturity, it can establish its own fund for services provided to customers

WCFs are bound to the scope identified in their budget authorization

Benefits & Barriers

Benefits: The fund manager may authorize an advance of funds against the total balance of the WCF; Customers receive transparent pricing information; Subject to the authorizations within customer agreements, WCFs may maintain continuity of operations in times of uncertainty; Funds do not expire.

Barriers: The scope and amount of each WCF varies, therefore there may be limitations on availability of use; requires significant up-front capital to stand up a WCF; high approval thresholds within parent agency may prevent use.

Success Stories
- General Services Administration (GSA), Department of Housing and Urban Development, (HUD), Department of Defense (DoD), Department of Energy (DOE), Department of Homeland Security (DHS)

References
- GAO-05-734S A Glossary of Terms Used In The Federal Budget Process

Franchise Fund

Introduction & Key Stakeholders

Introduction: A Franchise Fund is a type of intragovernmental revolving fund that operates as a self-supporting entrepreneurial entity to provide common administrative services benefitting other federal entities. These funds exist entirely from the fees charged for the services they provide consistent with their statutory authority.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- CFO
- Contracting Officer
- Lending Agency Office of Financial Management

Intended Use

Intended Use: The QSMO agency will enter into an IAA with external ordering agency for utilization of their established Franchise Fund and work with their Office of Financial Management for use of a fund internal to their agency. The process is as follows:
1. The QSMO will identify an agency with an established franchise fund within their scope of interest.
2. The QSMO will enter into a binding IAA with the external ordering agency which establishes the boundaries on the amount to be obligated.
3. If the fund is internal to the QSMO agency they will engage their CFO and Office of Financial Management regarding fund use.
4. Once a binding agreement has been documented, the ordering agency incurs an obligation for the costs of the work to be performed.
5. If the work is accomplished at a lower rate than initially anticipated, the remaining obligated fund may not be used to pay for other work not covered by the initial IAA.
6. The Bona Fide Needs Rule does apply to the use of customer appropriations.

Funding Mechanism Features

Recommend using an established fund for startup costs of QSMO services such as acquisition management, administrative management, information technology services, financial management services, and human resource services

Once a QSMO has reached maturity, it can establish its own fund for services provided to customers

Franchise funds are bound to the scope identified in their budget authorization

Benefits & Barriers

Benefits: QSMO can leverage established administrative services for assistance with program development.

Barriers: The scope and amount of each Franchise Fund varies, therefore there may be limitations on availability of use.

Success Stories

- Department of Veteran Affairs, Department of Interior, Department of Treasury Franchise Fund (TFF)

References

- Fiscal Law Desk book, 2014, Chapter 7

Technology Modernization Fund

Introduction & Key Stakeholders

Introduction: The Technology Modernization Fund (TMF) provides funding for approved projects focused on technology transformation and operations. Approved projects receive incremental funding and technical expertise to ensure project success.

To date, the TMF has received $175 million through the annual budget process and $1 billion through the American Rescue Plan (ARP) to help fund modernization projects.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- Chief Financial Officer
- Chief Information Officer
- Contracting Officer
- TMF Program Management Office
- Office Technology Modernization Board

Funding Mechanism Features

The TMF prioritizes modernizing high-priority systems, Cybersecurity, Public-facing digital services, and Cross-government services and infrastructure

Intended Use

Intended Use: The QSMO agency will submit IT-related project proposals to the Technology Modernization Board to review and consider if the QSMO's project meets their criteria. The process is as follows:
1. The QSMO submits Initial Project Proposal (IPP) for review.
2. If the Board accepts the IPP, the QSMO presents their Full Project Proposal (FPP) within 3 weeks of the IPP approval.
3. If the Board approves an FPP for funding, the GSA program office and QSMO finalize a Written Agreement.
4. Funds are the distributed incrementally tied to milestones submitted in the Written Agreement.
5. QSMO submits repayments to the TMF according to the terms of the written agreement.

Benefits & Barriers

Benefits: Repayment flexibility through the ARP; The TMF Program Management Office will support the QSMO through the application and review process.

Barriers: Funding is reliant on the Board's approval; Funding is disbursed incrementally; Funding is primarily used for system modernization and innovation initiatives.

Success Stories

- Zero Trust Networking (OMB), Advancing Zero Trust (GSA), Southwest Border Technology Integration Program (DHS), Infrastructure Optimization and Cloud Adoption (USDA), Data Modernization (DOL), Automated Commercial Environment Collections Module (CBP)

References

- Modernizing Government Technology (MGT) Act; M-18-12: Implementation of the Modernizing Government Technology Act; Technology Modernization Fund Website (https://tmf.gsa.gov)

Cross Agency Funding

Introduction & Key Stakeholders

Introduction: Lines of Business (LOBs) are cross-agency initiatives intended to define, design, implement and monitor a set of common solutions for government-wide business functions, processes, or desired capabilities. Each LOB is governed by a Managing Partner who is designated as the lead organization responsible for managing the business requirements of their community.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Customer Agency
- QSMO SSP Agency
- LoB Agency and Managing Partners
- OMB Examiner

Intended Use

Intended Use: The QSMO agencies completes the following application process
1. Submit program priorities to the CFO or CIO Council.
2. The CFO or CIO Council will review submitted requirements and select high priority programs that will receive funding.

Benefits & Barriers

Benefits: Streamlines federal management systems; Drives down long-term costs of operations.

Barriers: Lack of customer agencies internal controls and educated personnel on the initiative may affect the effectiveness of the transfer of service; Risk for cost overruns, schedule delays, and problems with the accuracy of the customer agencies data after implementation; Final decision comes late in fiscal year, which may impact QSMO planning.

Funding Mechanism Features

Cross-Agency Council funding mechanisms include the Chief Financial Officer (CFO) Council and the Chief Information Officer (CIO) Council

The councils prioritize funding for technology modernization and financial management system improvement initiatives

Success Stories

- GSA transfer of Momentum IT and Financial Operations to USDA

References

- M-16-11 Improving Administrative Functions Through Shared Services; OMB Circular No. A-11 (2021), Section 55.6

Fee Funded Structure

Introduction & Key Stakeholders

Introduction: Fee structured funding is a form of reimbursable/revenue collections authorized via a budget authority for agencies to obligate and spend expenses from offsetting collections for goods or services provided to a customer. These collections are authorized by law to be credited to an appropriation or fund expenditure account.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office
- CFO
- OMB Examiner
- Customer Agencies
- Congressional Appropriations Subcommittees
- LoB Agency and Managing Partners: Geospatial LoB (Interior), Hiring LoB (OPM/OMB), Human Resources LoB (OPM), Performance Management LoB (GSA), Security, Suitability and Credentialing LoB (OPM), Budget Formulation and Execution LoB (Education)

Intended Use

Intended Use: The QSMO agency will submit a request for authority to Congressional overseers for approval to implement a fee structured budget. The process is as follows:
1. A fee structure model is developed and presented to OMB and customer agencies.
2. The QSMO agency will submit request for spending authority with their internal agency's annual appropriations budget request.
3. Once budget authority is received and recorded, obligations may be incurred against orders from other Federal accounts if an obligation is recorded by the paying account.
4. The QSMO financial office will collect revenue from customer agencies as services are provided.

Benefits & Barriers

Benefits: Once structure is in place, no annual request for approval required by Congress; Fee Structure can be reviewed and adjusted annually based on program costs.

Barriers: Annual limit may be established on budget authority for fee collections; QSMO has the responsibility to collect revenue from customers, if revenue goes uncollected the QSMO may experience a shortfall in the program; A CR may have short-term impacts to funding levels.

Funding Mechanism Features

- Recommended once QSMOs reach maturity and have established service and solution marketplace(s)
- QSMOs should notify OMB of their intent to use a fee funded structure and fee model prior to submission in the annual budget request
- Customer agencies may be required to include a line item in their budget submission for reimbursement to the QSMO
- In the event of a CR, QSMO's will need to plan operations to ensure they have carryover funding available to maintain operations

Success Stories

- Federal Protective Service (FPS) in the Department of Homeland Security, Treasury Administrative Resource Center (ARC), United States Patent and Trademark Office (USPTO) in the Department of Commerce, Federal Communications Commission (FCC)

References

- OMB Circular No. A-11 (2021), Section 20.4

Cross-Agency Priority (CAP) Goal Funding

Introduction & Key Stakeholders

Introduction: CAP Goals Funding allows the heads of each Executive department and agency to transfer to or reimburse funds to other agencies in alignment with General Services Administration, Government-wide Policy in support of Government-wide and other multi-agency financial, information technology, procurement, and other management innovations, initiatives, and activities, including improving coordination and reducing duplication.

Key Stakeholders: Key stakeholders for this funding mechanism include:
- Internal Executive Leadership
- Internal Budget Office and CFO
- OMB
- Congress Committee on Appropriations
- President's Management Council
- Chief Financial Officers Council
- Chief Information Officers Council
- Chief Human Capital Officers Council
- Chief Acquisition Officers Council
- Performance Improvement Council

Funding Mechanism Features

All transfers or reimbursements must be approved by OMB and Congress

Funds are administered by the Administrator of the General Services Administration

Transfers cannot exceed $15M for projects intended to improve coordination, reduce duplication, and for other activities related to Federal Government Priority Goals, and $17M for Government-Wide innovations, initiatives, and activities

Intended Use

Intended Use:
1. The QSMO implementation team develops an action plan.
2. The QSMO and customer agency will coordinate with OMB regarding the action plan and request a transfer funds.-Once the Director OMB approves the transfer, they will notify the House and Senate Committees on Appropriations 15 days prior to any transfers or reimbursements.

Benefits & Barriers

Benefits: Various management Councils are available to advise CAP goal leaders and implementation teams on how best to apply implementation practices in the cross-agency context.

Barriers: CAP goals cover a limited number of crosscutting policy areas and management goals; Potential challenge transferring funds between agencies during a CR; QSMOs have unsuccessfully attempted to use this mechanism in the past.
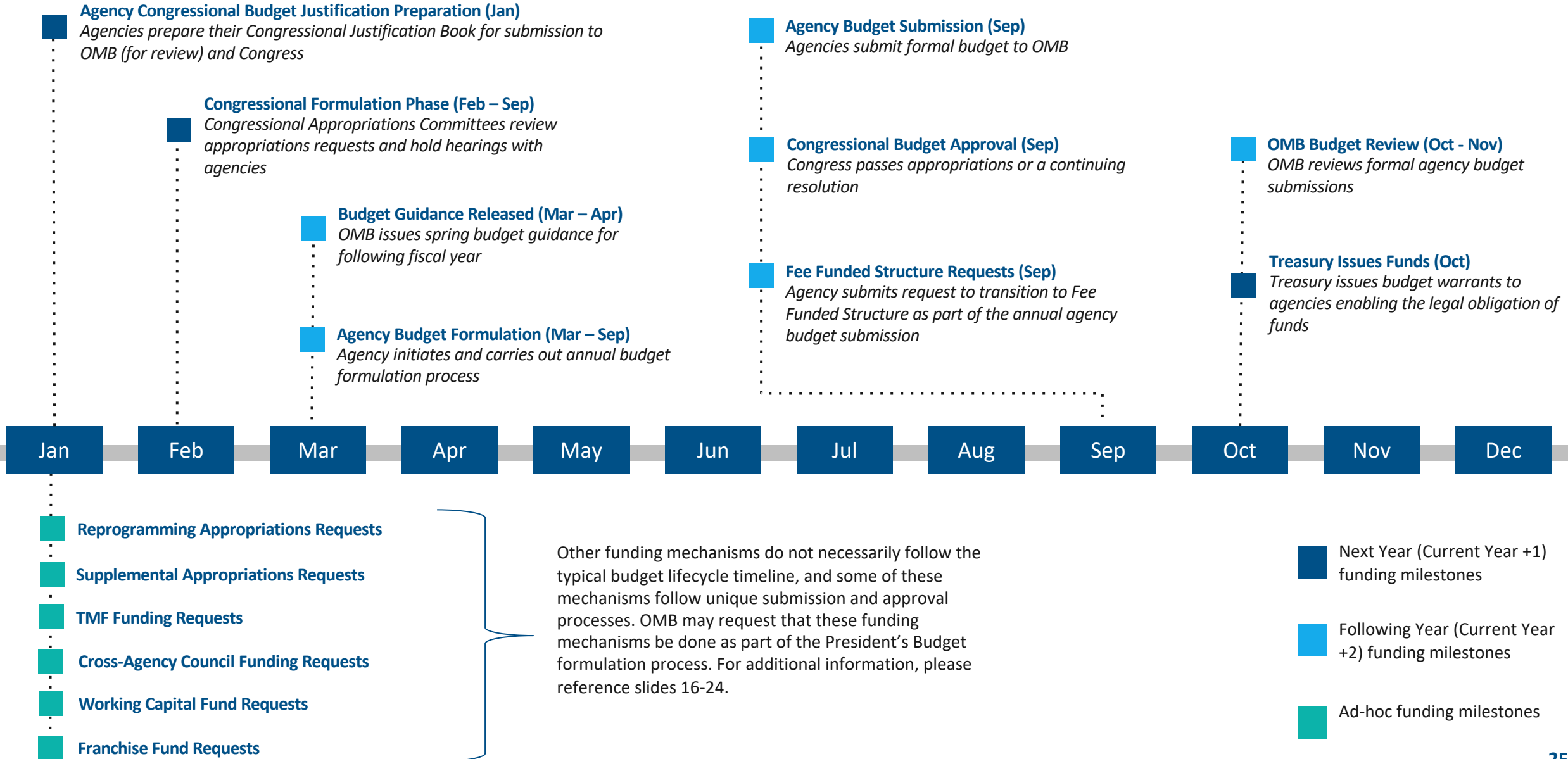
Success Stories

- The Department of Health and Human Services (HHS), General Services Administration (GSA), Office of Management and Budget (OMB)

References

- H.R. 133 / Public Law 116–260, Sec. 721, OMB Circular No. A-11 (2021), Section 210.5, 220.4 - 220.14

Funding Mechanisms & The Federal Budget Lifecycle

Agency Congressional Budget Justification Preparation (Jan)
Agencies prepare their Congressional Justification Book for submission to OMB (for review) and Congress

Congressional Formulation Phase (Feb – Sep)
Congressional Appropriations Committees review appropriations requests and hold hearings with agencies

Budget Guidance Released (Mar – Apr)
OMB issues spring budget guidance for following fiscal year

Agency Budget Formulation (Mar – Sep)
Agency initiates and carries out annual budget formulation process

Agency Budget Submission (Sep)
Agencies submit formal budget to OMB

Congressional Budget Approval (Sep)
Congress passes appropriations or a continuing resolution

Fee Funded Structure Requests (Sep)
Agency submits request to transition to Fee Funded Structure as part of the annual agency budget submission

OMB Budget Review (Oct - Nov)
OMB reviews formal agency budget submissions

Treasury Issues Funds (Oct)
Treasury issues budget warrants to agencies enabling the legal obligation of funds

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Reprogramming Appropriations Requests

Supplemental Appropriations Requests

TMF Funding Requests

Cross-Agency Council Funding Requests

Working Capital Fund Requests

Franchise Fund Requests

Other funding mechanisms do not necessarily follow the typical budget lifecycle timeline, and some of these mechanisms follow unique submission and approval processes. OMB may request that these funding mechanisms be done as part of the President's Budget formulation process. For additional information, please reference slides 16-24.

Next Year (Current Year +1) funding milestones

Following Year (Current Year +2) funding milestones

Ad-hoc funding milestones

25

4

Align Your Funding Strategy

Objective

Execute the QSMO funding strategy by integrating the identified funding mechanisms and the QSMO's budget planning and execution process.

Key Considerations

Focus shifts from planning to executing budgetary requests – including development of cost models, budget justifications, and the relevant exhibits needed for submission to the overseeing entity.

Understand that each funding mechanism requires a different process and QSMO's should fully understand the process in question (i.e., submitting a formal appropriations request to Congress or submitting a funding request via a project proposal to the Technology Modernization Fund).

QSMOs should continue to engage key budget stakeholders to coordinate process, timing, documentation, and final submission requirements.

During this engagement, it is imperative that QSMOs continue to solicit support from internal and external budget stakeholders – each QSMO should clearly articulate their successes to-date and communicate the outcomes intended from each funding request.

4 Align Your Funding Strategy

The following slides outline the **Key Questions, Expected Outcomes, and Checklist** of activities that the QSMO should consider as it works to align the funding strategy to its operational needs.

Key Questions

- What stage of QSMO development is the organization?
- Which funding mechanisms has the organization identified as accessible (i.e., revolving fund, franchise fund, etc.)?
- Is there flexibility in how the organization plans to fund its current operations?
- What are the organizations short-term and long-term funding requirements?
- What are the next steps for requesting funding?
- How have other QSMOs funded their operations?

Expected Outcomes

- Aligns organizations operational vision with favorable funding mechanism
- Initiates programming of budget requirements and future year costs
- Coordinates timely submission of funding requests, reimbursable agreements or funding proposals to key stakeholders
- Maintains open lines of communications with key stakeholders

Shared Services

Checklist

❑ Engage internal Executive Leadership for approval and cooperation of QSMO operations and funding mechanism options.

❑ Identify funding mechanisms already established internally within the organization and establish a plan within the RMOs and budget offices for QSMO implementation.

❑ Initiate programming of budget requirements aligned with long-term funding strategy. This stage should be conducted internally within the organization and should plan for current and future year budgets. Key elements of programming may include the following (if applicable):

- Development of a budget year spend plan by program line item;

- Proposal for reprogramming;

- Product log and cost structure;

- Reimbursable agreements;

- Initial Project Proposals (IPP); and

- Fee structure cost model.

❑ Prepare budget justification documentation for submission to external stakeholders.

❑ Socialize the finalized funding strategy and related documentation with relevant stakeholders – including internal agency leadership, OMB, OSSPI, and even the other QSMOs. During this outreach, QSMOs should clearly state what they have accomplished to-date and what they intend to accomplish with the investment they're requesting.

★ Shared
Services

5

Develop Your Legislative Strategy

Objective

Develop and execute a legislative strategy to sustain the QSMO's long-term funding needs and promote awareness with key stakeholders who influence policy that impacts the government-wide shared services initiative.

Key Considerations

Once QSMOs and RMOs have worked together to formulate a long-term funding strategy and identified the appropriate funding approach(es) to sustain operations, an important focus should be to consider the QSMO's legislative strategy.

Because of the unique nature of the federal budgetary ecosystem, access to additional funds and funding mechanisms often requires approval and buy-in from external parties who may not be familiar with the great work done across the QSMO ecosystem.

The QSMO's legislative strategy should be designed to grow awareness of the QSMO initiative in consideration of the need to bridge any gaps between the funding approach and stakeholders who hold approval authority.

The legislative strategy must also align to the agency's formal budget formulation process – funding requests must be included in the President's annual budget submission to Congress.

5 Develop Your Legislative Strategy

The following slides outline the **Key Questions, Expected Outcomes, and Checklist** of activities that the QSMO should consider as it develops its legislative strategy.

Key Questions

- With which Congressional points of contact should the QSMO build relationships?
- When is the best time to engage with Congressional points of contact?
- Is there an opportunity for coordinated communication across multiple QSMOs through OSSPI and/or OMB?
- Are QSMO agency legislative POCs (legislative affairs, communications team) aware of the QSMO's funding mechanisms and long-term funding strategy?
- How can QSMOs increase awareness of their service offerings to legislative POCs (legislative affairs, communications team) and customer agencies government-wide?
- Are there any lessons learned or success stories that can be leveraged from previous legislative engagement?

Expected Outcomes

Coordinates regularly with Congressional points of contact

Successful execution of identified funding strategy(s)

Understands who to engage regarding funding and legislative updates

Legislation is passed that supports shared services and advances the QSMO initiative

Maintains open lines of communications with key stakeholders

Increases adoption of QSMO solutions government-wide

Checklist

☐ Clearly define the QSMOs value proposition as well as goals, objectives, and anticipated outcomes the QSMO aims to achieve through execution of the legislative strategy.

☐ Work with OSSPI, OMB RMO, Senior Accountable Point of Contact (SAPOC), and parent agency legislative affairs team to begin identifying an initial list of external stakeholders that are candidates for engagement – see slide 32 for a comprehensive list of POCs.

☐ Draft and socialize the legislative strategy, which is intended to be a living document that is updated in alignment with changes to the funding strategy. The QSMOs should collaborate and coordinate engagement as feasible – the strategy can include the following elements:

- A list of stakeholders and high-level engagement / outreach schedule;

- Assign primary "owners" for each relationship who will meet regularly with stakeholders and provide relevant updates;

- A high-level engagement and outreach schedule for each relationship;

- Demonstrate alignment to the QSMO Legislative Strategy (TBD) and opportunities to coordinate across QSMOs; and

- A mechanism to track past engagement and outreach and identify opportunities for future engagement.

☐ Initiate execution of the QSMO legislative strategy and identify a plan to conduct periodic internal engagement to gauge the effectiveness of the strategy and on-going outreach efforts.

☐ Share periodic updates including lessons learned, best practices, and success stories related to legislative outreach with OSSPI, OMB RMO, SAPOCs, and the other QSMOs.

★ Shared
Services

Appendix

Success Story 1: Department of Treasury Franchise Fund (TFF)

Background: Since 1996, TFF has supported effective administrative and information technology services through a commitment to high quality services, efficient operations, and responsiveness to an ever-changing federal landscape. Through use of the services of the TFF, federal agencies can focus on mission activities, achieve cost savings and avoidance through economies of scale and cost sharing opportunities, and take advantage of state-of-the art technologies and services provided by the Department of the Treasury.

Value: TFF providers offer financial management, procurement, travel, human resources, information technology, and other administrative services to federal customers on a fully cost recoverable, fee-for-service basis. Treasury moved the Departmental Offices' (DO) CTAS into the Treasury Franchise Fund in FY 2019 to consolidate broad-scale administrative functions and capital investment activities into one account.

Key Stakeholders: The TFF providers include Departmental Offices' Treasury Shared Services Programs (TSSP), Departmental Offices' Centralized Treasury Administrative Services (CTAS), and the Bureau of the Fiscal Service's Administrative Resource Center (ARC).

Critical Success Factors	Lessons Learned
• Since inception, has leveraged full-cost accounting and strictly abides by federal financial mandates • Emphasis on achieving a positive net position in financial statements • Individual business units operate on a self-sustaining basis – limited imposition of rigid hierarchical rules and regulations • Long-standing focus on customer service and demonstration of how customers achieve reduce administrative costs through adoption of TFF services	• Partners with the best private sector service providers to bring customers state-of-the-art solutions • Maintains close coordination with the Department of Treasury to monitor and stay ahead of emerging financial trends • Maintains a diverse customer base – has a presence in every executive branch agency and national defense departments • Maintains emphasis on sustained, conservative growth

Success Story 2: e-Payroll Consolidation

Background: The e-payroll initiative resulted in consolidation of legacy payroll systems in 26 executive branch agencies to four shared services centers.

Value: The consolidation effort was funded through a combination of appropriations and long-term fee arrangements. At the conclusion of the effort, cost savings estimates were forecasted at more than $1 billion between fiscal years 2002 and 2015.

Key Stakeholders: The Office of Personnel Management (OPM) oversaw the consolidation of payroll services to the Four shared-service centers: the Agriculture Department's National Finance Center, the Pentagon's Defense Finance and Accounting Service, the Interior Department's National Business Center, and the General Service Administration's National Payroll Branch.

Critical Success Factors
• The consolidation effort was funded through a combination of direct appropriations and long-term fee arrangements
• Leveraged industry leading commercial off-the-shelf technology providers
• OPM served as broker and promoted close collaboration and communication between the four identified payroll providers

Lessons Learned
• OPM played an active role in the consolidation effort and established a collaborative project management structure
• OPM developed a concrete plan to ensure that resources were evenly distributed across the four payroll providers
• Significant focus on establishing common standards and engaged stakeholders government-wide to address standards related challenges

References

A comprehensive list of playbook references is included below:

- Office of Management and Budget (OMB) Circular No. A-11 (2021), Section 210.5, 220.4 - 220.14 – LINK

- Office of Management and Budget (OMB) Circular No. A-11 (2021), Section 10.5 – LINK

- Office of Management and Budget (OMB) Circular No. A-11 (2021), Section 20.3 – LINK

- GAO-05-734S A Glossary of Terms Used In The Federal Budget Process - LINK

- Office of Management and Budget (OMB) Circular No. A-11 (2021), Section 22.3 – LINK

- GAO-16-464SP, Principles of Federal Appropriations Law – LINK

- Fiscal Law Desk book, 2014, Chapter 7 – LINK

- Modernizing Government Technology (MGT) Act – LINK

- M-18-12: Implementation of the Modernizing Government Technology Act - LINK

- Technology Modernization Fund Website - LINK

- M-16-11 Improving Administrative Functions Through Shared Services - LINK

- Office of Management and Budget (OMB) Circular No. A-11 (2021), Section 55.6 – LINK

- Office of Management and Budget (OMB) Circular No. A-11 (2021), Section 20.4 - LINK

- H.R. 133 / Public Law 116–260, Section 721 - LINK

- Clinger-Cohen Act : Multiagency Acquisitions of Information Technology - LINK