



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

Friday, November 1, 2013  
M-14-02

**MEMORANDUM FOR: Heads Of Executive Departments And Agencies**

**FROM:** Sylvia M. Burwell, Director, Office of Management and Budget  
Elaine 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)<sup>1</sup> and senior-level and 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

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<sup>1</sup> 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.

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 <https://www.chcoc.gov/content/guidance-freeze-discretionary-awards-bonuses-and-similar-payments-federal-employees-serving>.

### **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](mailto: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, and Human Resources Directors