

**THE
EXECUTIVE AGENCY
TRAINING PROGRAM**

**NAVIGATING
BUREAUCRACY AND
BUDGETS**





Federal Budget Process

The Federal Budget Process is a four-step process spread over a multi-year period:

1. Formulation of the President's Budget
2. Congressional Budget and Appropriations Process
3. Implementation of Budget
4. Audit and Review

At any given time, agencies are simultaneously dealing with two or three different budgets:

- Current fiscal year – Implementing the budget
- Coming fiscal year - Seeking funds from Congress
- Following fiscal year - Preparing request for the President's Budget





The President's Budget

The President's Budget, officially the *Budget of the U.S. Government*, expresses to Congress:

- 1) The President's recommendations for fiscal policy (spending, taxing, deficit);
- 2) The President's relative priorities for federal programs.

It is only a request; Congress is not required to adopt its recommendations.

The Budget includes:

- Proposed funding levels (and justification) for “discretionary” budget accounts
 - Discretionary (or appropriated) accounts are under the jurisdiction of the appropriations committees and must be approved each year.
- Estimated funding requirements for “mandatory” or “direct spending” budget accounts
 - Mandatory accounts include entitlement programs and interest on debt.
 - Legally mandated; do not require annual congressional action
- Estimates of revenues (based on projected performance of the economy)
- Historical information and budgetary analyses.

Office of Management and Budget (OMB) is the 500-person office within the Executive Office of the President charged with broad oversight, supervision and coordinating authority over the formulation of the President's Budget.



President's Budget Process

Preparation of a budget begins about 18 months before the start of the fiscal year to which it pertains. Because the process begins so early, the budget is prepared with a great deal of uncertainty about economic conditions, presidential policies and congressional action.

Sample timeline for FY2011 budget:

(FY2011 = October 1, 2010 – September 30, 2011)

Spring 2009: OMB issues planning guidance for agency budget requests in circulars, bulletins and memos.

- Circular A-11 is the key planning guide, containing detailed instructions & schedules for requests.

Spring or earlier (ex. DoD begins in August 2008)-August 2009: Agencies develop budget requests

- Generally assembled in a decentralized manner, beginning at the lowest levels of the agency, where each operating unit (bureaus, offices, etc.) submits funding/personnel needs & program policies/plans.
- Agency budget office reviews current operations, program objectives and plans.
- OMB “examiners” assigned to each agency provide procedural and policy guidance .

September 2009: Agencies submit budget requests to OMB.

September-November 2009: OMB staff reviews requests against President's priorities & budget constraints.

November 2009: OMB Director recommends a budget to President.

November-December 2009: President decides on budget; OMB notifies agencies of decisions (“passback”).

November-December 2009: Agencies may appeal decisions.

December 2009-January 2010: President makes final decision; Agencies revise budgets for OMB.

February 2010 (by first Monday): President submits budget to Congress



Congressional Budget and Appropriations Process

Sample timeline for FY2011 budget (con't):

February 15, 2010: Congressional Budget Office (CBO) submits *The Budget and Economic Outlook* report.

February-April 2010: Budget committees and Appropriations subcommittees hold hearings questioning Administration officials about their requests.

March-April 2010: With the advice of authorizing committees, Budget committees submit a *budget resolution* to their respective houses. These are amended, voted on and sent to conference to resolve any differences.

- The budget resolution sets forth how much Congress is supposed to spend (by functional category), how much revenue the government will collect and how much debt it will incur. It officially allocates budget authority to the Appropriations committees for discretionary spending and to authorizing committees for mandatory spending. It is a *concurrent resolution* (not a bill) and, thus, does not need the President's signature or have the force of law. Instead, it sets guidelines and targets against which subsequent fiscal legislation must (in general) conform.

April 15, 2010: Target date for *FY2011 Congressional Budget Resolution to be passed* (date not always met).

April-July 2010: After budget resolution passes, the 12 appropriations subcommittees consider bills to provide funding to *authorized* agencies and programs. Each subcommittee is responsible for one appropriations act.

May-September 2010: Appropriations legislation is considered in the full House and Senate.

July 15, 2010: President submits mid-session review of budget to Congress.

September-ASAP (but often long after FY2011 begins): House-Senate conferees negotiate appropriations legislation. Conference reports are sent to full houses for final vote and then to the President for signing.

October 1, 2010: Fiscal year 2011 begins.



Budget Implementation + Audits and Reviews

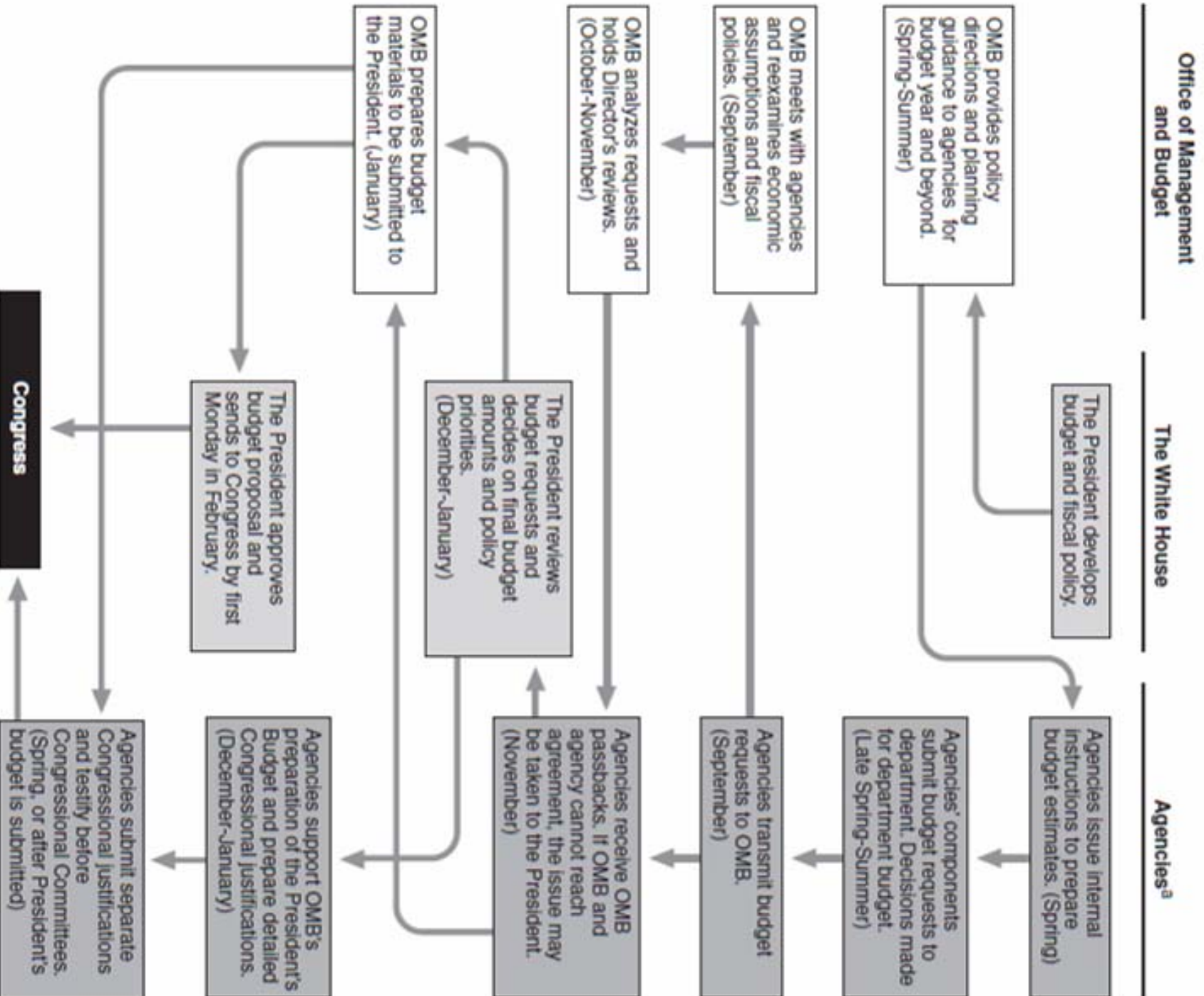
Implementation: OMB apportions appropriated amounts to agencies, making funds available for allotment to program-managing operating units (bureaus, offices, etc.), which obligate funds as authorized. If necessary, agencies may request supplemental appropriations.

- **Apportionment:** Appropriated funds are not instantly available to agencies. Instead, they are *apportioned* by OMB over periods within the fiscal year (ie. quarters) or among specific projects, in order to prevent agencies from exhausting their appropriations before the end of the fiscal year.
- **Allotment:** Apportioned funds are *allotted* (distributed) by the agency to component operating units.
- **Obligation:** Once funds have been allotted to operating units, program managers may *obligate* them to specific needs (personnel, equipment, etc.), though they are constrained by appropriation criteria.
- **Outlays:** Once obligated funds have been paid off (in exchange for goods or services), the amount becomes an *outlay* on agency accounts.
- **Transfers and Reprogramming:** With Congressional approval, agencies may *transfer* budget resources from one account to another or *reprogram* them from one activity to another within the same account. Often, Congress pre-authorizes the transfer of a certain percentage of appropriations.

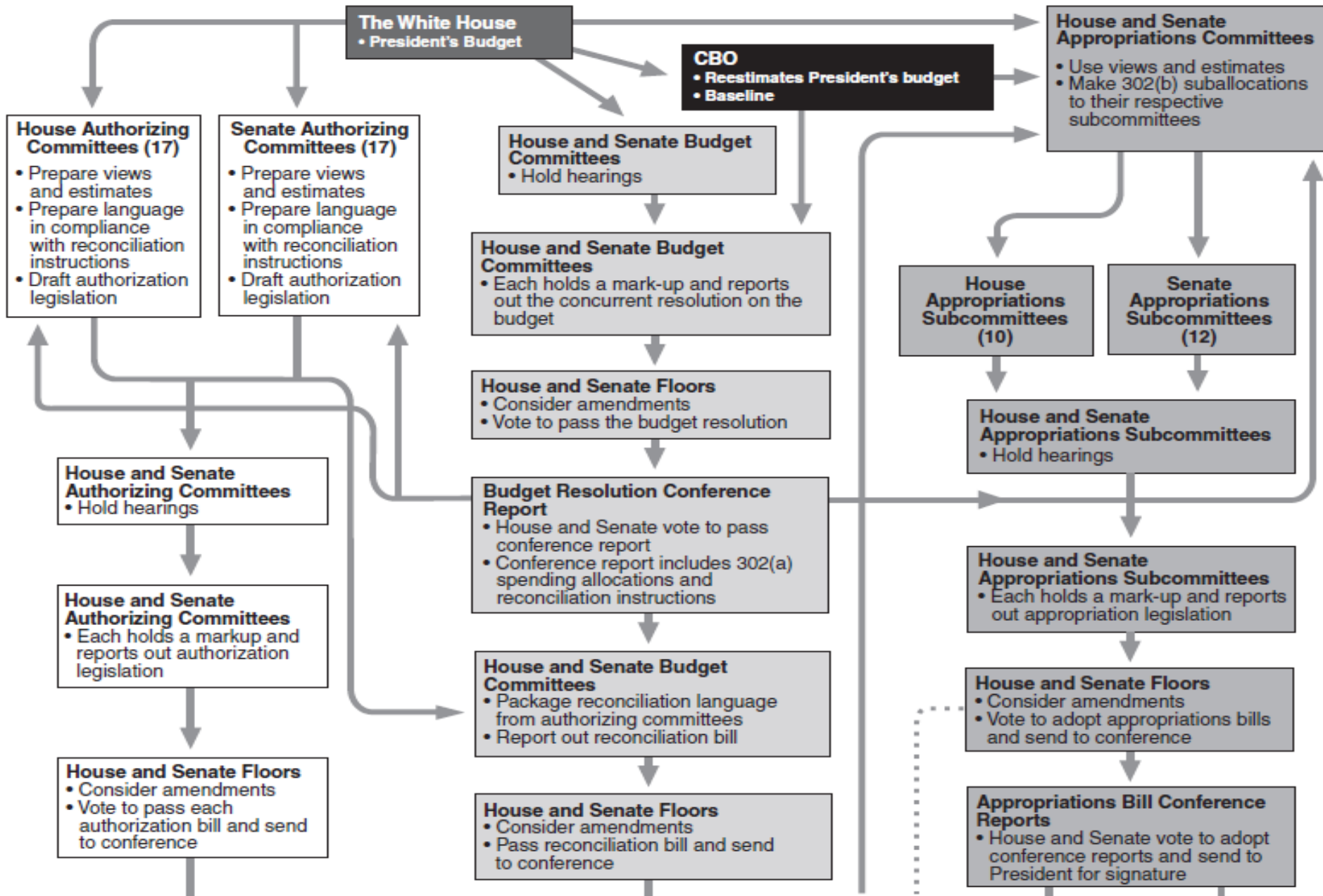
Audits and Reviews

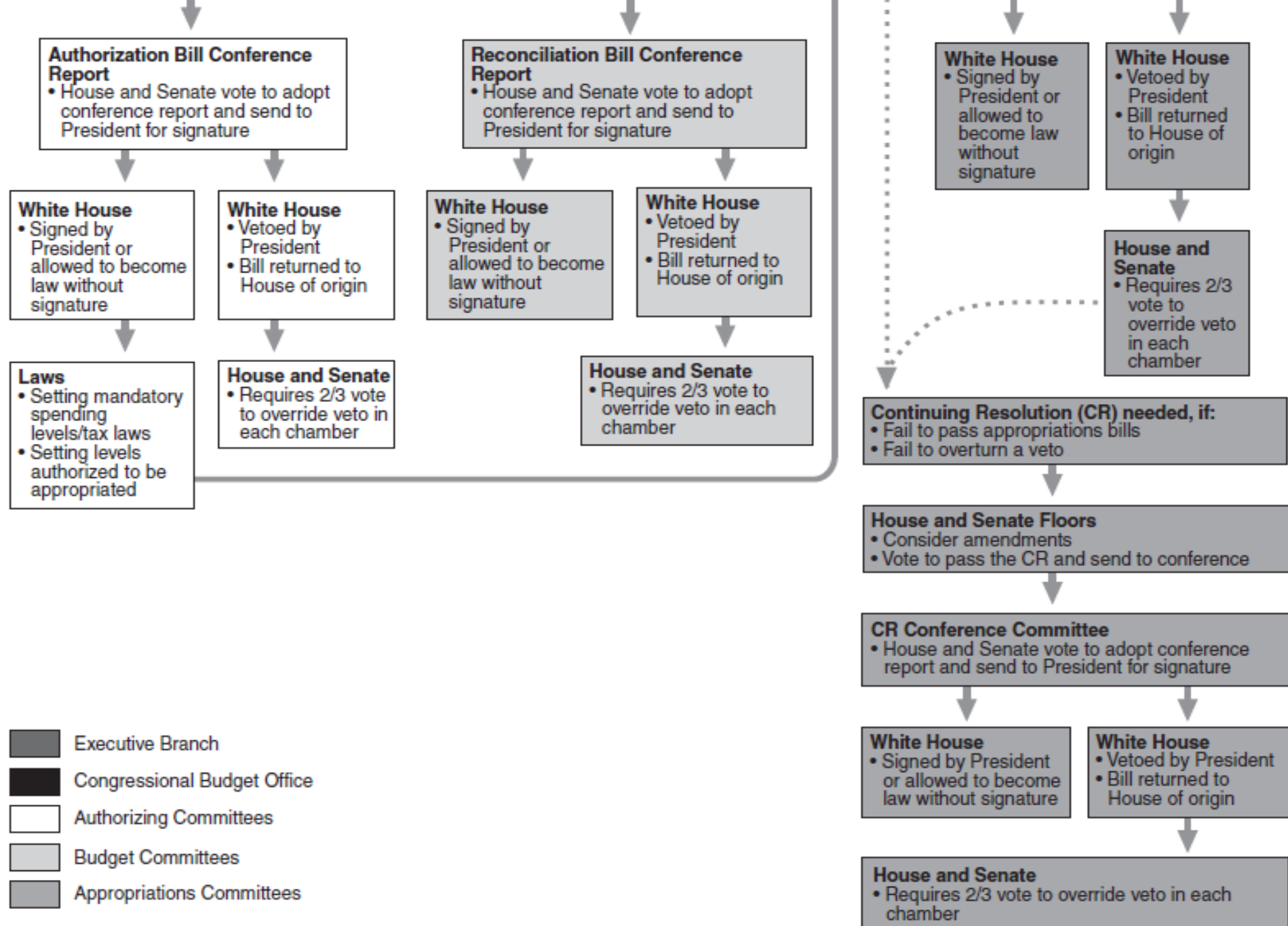
- Individual agencies are responsible for ensuring that their obligations adhere to the provisions of the authorizing and appropriations legislation and any other relevant laws or regulations.
- Government Accountability Office (GAO) and the agency's Inspector General (IG) regularly audits, examines and evaluates agency programs.
- Government Performance and Results Act (GPRA) holds federal agencies accountable for achieving program results. On an annual basis, agencies are required to submit to OMB and Congress a *Performance Plan* (clarifying its mission and setting goals for each program in the agency's budget) and a *Performance Report* (measuring each program's success in achieving these goals).

President's Budget Process



Congressional Budget, Authorization and Appropriations Process







Budget Functions

The budget is divided into 20 categories known as “budget functions,” which include all spending for a given functional area. For example, Function 250 (General Science, Space & Technology) covers the National Science Foundation, most of NASA and Dept. of Energy’s Office of Science.

Functional Category	Budget Function	Functional Category	Budget Function
National Defense	050	Community and Regional Development	450
Department of Defense-Military	051	Education, Training, Employment and Social Services	500
Atomic Energy Defense Activities	053	Health	550
Defense-Related Activities	054	Medicare	570
International Affairs	150	Income Security	600
Intl Development and Humanitarian Assistance	151	Social Security	650
International Security Assistance	152	Veterans Benefits and Services	700
Conduct of Foreign Affairs	153	Administration of Justice	750
Foreign Info and Exchange Activities	154	General Government	800
International Financial Programs	155	Net Interest	900
General Science, Space, and Technology	250	Allowances	920
Energy	270	Undistributed Offsetting Receipts	950
Natural Resources and Environment	300		
Agriculture	350		
Commerce and Housing Credit	370		
Transportation	400		



Key Budget Terms

302(a) Allocations – Spending limit set by budget resolution for each committee with jurisdiction over spending.

302(b) Allocations – Subdivision of 302(a) allocation to Appropriations Committee given to each subcommittee.

Appropriations Act – Legislation providing funds for authorized agencies and programs (see “authorization bill”). All discretionary spending and some non-discretionary (direct) spending comes out of appropriations bills.

Authorization Act – Legislation that establishes, continues or modifies federal agencies or programs by authorizing the enactment of appropriations. May also set appropriations spending ceilings, duties and functions of the agency or program, organizational structure and the responsibilities of affiliated officials.

Authorizing Committee – A committee with legislative jurisdiction over specific federal agencies and programs.

Budget Authority – Legal authority to spend federal funds. Appropriations are a form of budget authority.

Budget Resolution – A concurrent resolution setting forth enforceable guidelines for total spending (by functional category), revenue and debt, and allocations for discretionary and mandatory spending.

Concurrent Resolution – A resolution passed by the Senate and the House that is not sent to the President for signing and does not have the force of law; generally used to express the sentiment of both houses.

Continuing Resolution (CR) – A joint resolution that provides temporary funding for federal agencies and programs into a new fiscal year when regular appropriations acts have not been completed by the beginning of the fiscal year.

Discretionary Spending – Spending provided in appropriations acts (as opposed to mandatory spending)



Key Budget Terms (Con't)

Entitlement – A program that requires payment to all people that meets eligibility criteria (ex. Social Security).

Fiscal Year – Oct. 1 - Sep. 30. Named after year in which it ends (ex. FY2011 = Oct 1, 2010 - Sep 30, 2011).

Mandatory (Direct) Spending – Spending funded by laws other than appropriations acts. Includes entitlements, debt interest and select other spending. Does not go through the normal authorization-appropriations process: some is funded by permanent appropriations in authorizing legislation (does not require annual Congressional action); some by appropriations acts with amount set by authorizing legislation.

“Pay-As-You-Go” or “PAYGO” – A rule in Congress requiring any tax cut or increase in entitlement spending to be fully offset by corresponding entitlement cuts or tax increases (doesn't apply to discretionary spending).

Point of Order – An objection raised on the floor of the House or Senate, claiming an action to be in violation of a rule (ex. that an appropriation violates the budget resolution or is not authorized by an authorization act).

Statement of Administration Policy (SAP)- Official memoranda issued by OMB during the Congressional budget process that clarifies and emphasizes particular areas of concern on the part of the President as the budget navigates Congress. These memoranda have become the President's mechanism for formally expressing a position on budget issues to the point that SAPs are seen to be informal veto threats.

Supplemental Appropriations – An act to provide funds in addition to regular or continuing appropriations. Supplementals are generally made to cover unexpected needs or emergencies (emergency supplementals). Creates an exception to the spending limits set by the budget resolution.

Reconciliation instruction – Provision in a budget resolution directing a committee to submit legislation changing existing law in order to bring direct spending, revenues, or the debt-limit inline with the budget resolution.